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Is haute couture worth it?
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Bad vibrations along the Channel link
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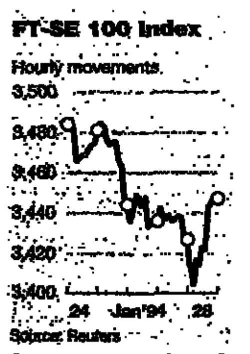
FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND JANUARY 29/JANUARY 30 1994 — D8523A

Boost for Clinton as US growth rate reaches 5.9%

President Bill Clinton's hopes of fostering US economic renewal were boosted yesterday by official figures showing gross domestic product expanded at an annual rate of 5.9 per cent in the fourth quarter of last year, the fastest quarterly growth since 1987. Page 2; Punishment and prevention, Page 7; London stocks, Page 13; World stocks, Page 19

Footsie gains on news of US inflation



The London stock market replaced an early loss of 24 points on the FT-SE 100 scale with a gain of similar size yesterday on news of subdued inflation in the US. At the close, the index stood at 3,447.4, a gain on the day of 20.1 points. Over the two-week account, the Footsie has risen by around 1.4 per cent, but gains were sharply cut back this week when the index lost 36.8 after gloomy reports from the retailing sector. Page 13; Markets, Weekend II; Lex, Page 22

BankAmerica, second biggest US bank, is to buy Chicago-based Continental Bank in a $1.9bn deal which marks its first big expansion away from its west coast base. Page 22

UK denies breaching HK airport deal: Britain denied a Chinese accusation that it had breached a secret agreement on the financing of Hong Kong's new airport. Page 3

Minister sacked over Polish privatisation: Stefan Kawalec, Poland's deputy finance minister responsible for privatising the country's banking sector, has been sacked after an outcry over the pricing of a bank privatisation. Page 2

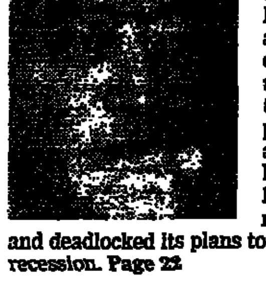
Britain narrows non-EU trade gap: Rising exports helped the UK narrow its visible trade deficit with countries outside the European Union in December. The seasonally adjusted deficit of £675m, ($1bn) compared with £773m in November, was better than analysts expected. Page 5

Insurers threaten Lloyd's Names: Insurers for Lloyd's agents threatened loss-making Names – individuals whose assets have traditionally supported the insurance market – with court action if they reject the market's £900m settlement offer. Page 4

SAS may sell leisure unit to Thomson: Scandinavian Airlines System is discussing the sale of its SAS Leisure unit to Thomson Travel of the UK in a move which would combine two of Europe's leading tour operators. Page 9

Norwegian bank merger called off: Fokus, Norway's fourth largest bank, is pulling out of merger talks with Christiania, the country's second-largest banking group, following strong political support for Fokus to remain independent. Page 9

Hosokawa compromises on reforms



Japanese prime minister Morihiro Hosokawa (left) watered down his controversial proposals for political and economic reform in a deal with the opposition Liberal Democratic party. Failure to reach a compromise could have fatally undermined Mr Hosokawa's five-month-old government and deadlocked its plans to pull Japan out of recession. Page 22

Venables named England team coach: Terry Venables, 51, former Tottenham and Barcelona manager, was appointed coach of England's national soccer team. He replaces Graham Taylor, who resigned in November after England failed to reach the World Cup finals. Former Liverpool striker John Toshack was named part-time manager of Wales. Page 4; Sport, Weekend XII

Souness quits Liverpool: Graeme Souness, 40, resigned as manager of Liverpool football club after the team was knocked out of the FA Cup. Fans had threatened to boycott the next home match in a bid to oust him.

■ STOCK MARKET INDICES		
FT-SE 100:	3,447.4	(+20.1)
Yield	3.42	
FT-SE Eurotrack 100	1,510.22	(+13.54)
FT-SE-A All-Share	1,727.31	(+0.4%)
Nikkei	18,757.88	(-133.91)
New York: lunchtime		
Dow Jones Ind Ave	3,941.21	(+14.91)
S&P Composite	478.79	(+1.74)
■ US LUNCHTIME RATES		
Federal Funds:	2 11/16%	
3-mo Treas Bills: Yld	3.0%	
Long Bond	100 13/32	
Yield	6.21%	
■ LONDON MONEY		
3-mo Interbank	5 7/16%	(Same)
Liffe long gilt future:	Mar 118 13/32	(Mar 118 3/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$14.13	(14.3)
■ Gold		
New York Comex (Feb)	$376.9	(377.4)
London	$378.4	(382.2)

■ STERLING		
New York lunchtime:		
$	1.4985	
London:		
$	1.5035	(1.4925)
DM	2.5971	(2.6031)
FFr	8.8397	(8.8364)
SFr	2.193	(2.1949)
Y	164.073	(163.302)
£ Index	82.4	(82.2)
■ DOLLAR		
New York lunchtime:		
DM	1.737	
FFr	5.9045	
SFr	1.4675	
Y	109.9	
London:		
DM	1.7273	(1.7441)
FFr	5.879	(5.9205)
SFr	1.4585	(1.4706)
Y	109.12	(109.415)
$ Index	66.8	(67.0)
Tokyo close Y 109.1		

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Croat army bolsters fighters in Bosnia

By Robert Mauthner, Diplomatic Editor

UK suspends official aid convoys after driver is shot dead in attack

Thousands of Croatian army troops, backed by tanks and helicopters, have been pouring into Bosnia to bolster the Bosnian Croat militia in its war against the Moslems in central Bosnia.

The latest development in the nearly two-year-old Bosnian conflict, confirmed by highly-placed independent sources, could lead to a dangerous escalation of the fighting at a time when a peace settlement appears as unattainable as ever. It could also lead to the imposition of international sanctions on Croatia like those already in effect against Serbia.

The Croatian move coincides with the suspension by Britain of official aid convoys throughout former Yugoslavia, after a British aid driver was shot dead and his two British companions were wounded in an attack in Zenica, Central Bosnia.

The three men, employed by the Overseas Development Administration (ODA), were hijacked in their vehicle by gunmen wearing military uniforms. Mr John Major, the prime minister, said he was "shocked and distressed" by the attack.

An announcement yesterday by the Bosnian government about the Croatian troop movements made public what has been an open secret in United Nations and European Union quarters in Bosnia for the past week.

Calling on the UN Security Council to stop what it described as open military intervention by Zagreb in the Bosnian conflict, Mr Haris Silajdzic, the Moslem Bosnian prime minister, said up to 12,000 regular Croatian army soldiers with tanks and helicopters had moved into Bosnia.

Mr Silajdzic was speaking to reporters after his mainly Moslem cabinet called for an emergency session of the Security Council to condemn the Croatian military incursion.

"For about one week now, the intervention has become obvious, almost undisguised, and we fear escalation in the region of Prozor.

UK halts Bosnia aid, Page 2
Continued on Page 22

Major links Tory fortunes to faster economic growth

By Philip Stephens, Political Editor

Leadership issue resurfaces as PM defends tax increases

Setback for Gummer ....Page 4
Major hears attack on one-stop advice centres ......Page 5
Cut and blow-dry is not enough ....Page 6

Mr John Major last night staked his hopes for a revival in the fortunes of his embattled government on faster economic recovery. He strongly defended the tax increases at the centre of the latest political storm as "the tough decisions today that will make everyone better off tomorrow".

But at the end of a week which has seen disgruntled Tory MPs again question his leadership, the prime minister faced fresh difficulties from Mr Norman Lamont.

The former chancellor, who was sacked last year, is quoted today in The Times as describing the prime minister as "weak and hopeless". Downing Street was curtly dismissive of the reported attack, saying it was an attempt to "rake over cold ashes", and in a statement last night Mr Lamont said the published interview did not reflect accurately his views or general attitude.

The government's run of embarrassing mishaps was further compounded yesterday by a High Court ruling against attempts by Mr John Gummer, the environment secretary, to restructure local government.

Mr Major was confronted also with growing speculation on the Conservative backbenches that some cabinet ministers have begun to position themselves for a possible leadership contest later this year.

In his latest attempt to regain the political initiative, the prime minister made sustaining the pace of economic recovery his central objective for 1994.

Sidestepping the recent furore over the moral aspects of his "back to basics" initiative, he said the priority was "getting back to the most basic basics of all: lower borrowing, lower unemployment, low inflation and more growth".

In a speech to businessmen at the Leeds Chamber of Commerce, Mr Major said maintaining growth depended on constant improvements in Britain's competitiveness. Both public and private sectors had to keep wage costs down, while the government's education policies were working towards "nothing less than the re-skilling of Britain".

With senior ministers acknowledging that the government's fortunes were now linked with a visible acceleration in economic growth, Mr Major insisted: "We now have the conditions for long-term sustainable growth."

He said Britain's 1.9 per cent inflation rate would probably rise slightly during the next few months but added: "Low inflation is here to stay. So industry can now invest with confidence."

Referring to the impending tax increases in April, Mr Major said that he would have preferred not to have introduced them: "It was necessary, because sound finances are the only basis for sustained economic growth."

Mr David Richardson, president of the Leeds chamber, attacked the government in front of Mr Major for "ill thought-out" proposals on its services to industry and commerce which put the chamber's future at risk.

Mr Douglas Hurd, the foreign secretary, meanwhile led cabinet ministers in a series of speeches emphasising Britain was "leading Europe out of recession". He said the Tories would fight June's election to the European parliament on a platform of prosperity through competitiveness.

The consensus among Tory backbenchers yesterday was that the prime minister could ride out the present storm. But ministers admitted privately that bad results in the local and European elections could well threaten his leadership.

Mayhew upbeat over Ulster peace

Ulster secretary Sir Patrick Mayhew yesterday gave an upbeat assessment of the Northern Ireland peace process. Sir Patrick, pictured (above right) with Irish foreign minister Dick Spring at an Anglo-Irish conference in Dublin, said there was "a rational ground for being hopeful" that there would be a positive response by Sinn Féin, the IRA's political wing. Report, Page 22; Public talk peace, Page 4 Picture: PA

BT stops performance-pay scheme

By Robert Taylor, Labour Correspondent

BT has suspended its performance-related pay scheme for its 26,000 managers after only 10 months, claiming that they are already paid too much.

BT says its managers receive up to 14 per cent more than the market rate. At present the income range of its managerial and professional grades is from £17,128 a year to £34,931. The company has now decided that 10 per cent of its managerial high-flyers will receive rises of up to 6 per cent this year, although a "significant" number of the rest will receive unconsolidated payments worth 2 per cent. Some will get nothing.

"The majority of our managerial and professional grades enjoy rates of pay significantly above those of appropriate comparators in the industry," Mr Peter Archer, BT's employee relations director, said in a letter to Mr Simon Petch, general secretary of the Society of Telecom Executives (STE). He added: "To ensure that the company has a competitive cost base in the medium to long term, it is essential that our approach on pay should seek to address this key issue."

The union responded angrily. "The company's approach is inconsistent and wholly at odds with the philosophy of rewarding people for performance," Mr Petch has replied. "Unless

Continued on Page 22

Diesel cars bad for health, says report

By Bronwen Maddox and John Griffiths

The growing popularity of diesel cars is "extremely bad for human health", according to the authors of a government report on air pollution.

The report, published yesterday, vigorously attacks the "green" image of diesel and says the engines produce high levels of gases and soot, causing breathing difficulties and cancer.

"If you want to buy a car that's good for the environment buy a petrol-engined car with a catalytic converter," said Professor Roy Harrison, a scientist based at Birmingham University and chairman of the group that produced the report. He believed a new tax on diesel to make it more expensive than petrol would be "a good idea".

The motor industry, which as a producer of both petrol and diesel cars maintains it has "no axe to grind", immediately launched a scathing attack on the report.

It said that in reaching its conclusions the report had failed to take account of continuing "enormous progress" in diesel engine technology which rendered most of the criticisms invalid.

"It is erroneous, misplaced, misguided and fundamentally unsound," said Mr Roger King, the Society of Motor Manufacturers and Traders' public affairs director.

The industry fears that uncertainties created by the report may slow the new car market's recovery from one of its steepest declines on record. Diesel cars make up only 6 per cent of the national total, but last year they accounted for a fifth of new car sales. Marketing has portrayed them as cheaper to run and environmentally "friendly".

The report, commissioned by the Department of the Environment from the Quality of Urban Air Review Group, agrees diesel engines are cleaner than petrol cars. But it says that they produce more nitrogen oxides, hydrocarbons, carbon particles and black smoke than petrol cars fitted with catalytic converters.

Diesel cars emit less "greenhouse" gases than petrol cars, but scientists say diesel particles may play a role in global warming.

Sainsbury shares plunge 48p in biggest one-day fall

Shares in J Sainsbury yesterday suffered their biggest ever one-day fall, plunging 48p to 393p, as the UK's biggest supermarket group signalled it was not immune to fierce competition in the grocery market, writes Neil Buckley.

Sainsbury's disclosed a 1 per cent drop over the last four months in like-for-like sales, which exclude new stores, against the same period last year, as well as a fall in profit margins. It warned it would achieve only a "small" increase in profits for the year. It is also making a one-off £365m property write-down, and starting to depreciate its buildings.

The statement ends a decade of spiralling profits from Sainsbury's which, along with rivals Tesco and Argyll, owner of Safeway, are being squeezed by cut-price operators. The Sainsbury fall pulled down other shares in the sector. Argyll fell 14p to 258p, and Kwik Save 27p to 593p.

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London stocks, Page 13

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Austria Sch32; Bahrain Din1.250; Bermuda $1.05, Belgium BFr65; Canada C$1.40; China RMB24, Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; Egypt E£5.00; Finland Fmk14; France FFr3.00; Germany DM3.50; Greece Dr350; Hong Kong HK$18; Hungary Ft188, Iceland IKR215; India Rup60; Indonesia Rp4,050; Israel NS6.80; Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625, Lebanon $US1.50; Luxembourg LFr65, Malaysia Rin4.80; Malta Lm0.80; Morocco Dh15.00; Nigeria Naira50.00; Netherlands Fl4.00; Norway Nkr17.00; Oman OR1.50, Pakistan Rs40; Philippines Pso 50; Poland Zl 32 000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep KSL50; South Africa R12.00; Spain Pts225; Sri Lanka Rup30; Sweden SKr18.00; Switzerland SFr3.30; Taiwan NT$33; Thailand Bht50; Tunisia Din1.500; Turkey L10000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

No 32,279 Week No 4 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

US growth at 5.9% in fourth quarter

By Michael Prowse in Washington

President Bill Clinton's hopes of fostering US economic renewal were boosted yesterday by official figures showing gross domestic product expanded at an annual rate of 5.9 per cent in the fourth quarter of last year – the fastest quarterly growth since 1987.

Real GDP grew by 2.9 per cent during 1993 as a whole against 2.6 per cent in 1992, confirming the US economy is forging ahead while many trading partners remained mired in recession.

"You can't get much more solid and steady growth than that," said Mr Lloyd Bentsen, Treasury secretary, referring to the accelerating pace of recovery last year. The fourth-quarter surge reflected strong increases in business investment, residential housing and spending on durable consumer goods – sectors that have benefited from the sharp fall in long-term interest rates.

GDP grew at annual rates of 1.9 and 2.9 per cent in the second and third quarters.

On Wall Street the Dow Jones Industrial Average was up 15 points by midday at 3,940.93, a record. Bond prices also rose sharply despite the evidence of faster growth, because the GDP report indicated little upward pressure on inflation. The GDP fixed-weight deflator (the broadest measure of inflation) rose at an annual rate of 2.2 per cent in the fourth quarter, less than expected.

Mr David Resler, chief economist at Nomura Securities in New York, said financial markets were beginning to realise that faster growth did not entail higher inflation.

Administration officials are also increasingly confident about the prospects for non-inflationary growth. Output is expected to be artificially depressed early this year by arctic weather and the Los Angeles earthquake, but the underlying pace of growth is seen as at least 3 per cent.

The composition of growth is more encouraging than at the end of 1992 when a similar surge in GDP proved short-lived. This time growth was led by business fixed investment, which grew at an annual rate of 21 per cent, easily outstripping consumer spending which expanded at an annual rate of 4 per cent.

Companies were also careful to keep inventories lean, preventing an overhang of stocks that could have curbed growth this year.

In addition to rapid growth and low inflation, the White House is taking credit for a sharp improvement in budgetary trends, highlighted by President Bill Clinton in his State of the Union address. The independent Congressional Budget Office predicted the deficit would fall to $223bn (£148.6bn) this fiscal year and $166bn by fiscal 1996, before rising later in the decade.

Mr Bentsen has urged Federal Reserve governors and regional presidents, who meet next week to discuss monetary policy, to take the tighter fiscal stance into account when setting interest rates. Most Wall Street analysts, however, still expect the Fed to nudge short-term rates higher in the next few months as a sign of its determination to prevent economic recovery eventually leading to higher inflation.

UK halts Bosnia aid after worker killed

By Robert Mauthner in London and Laura Silber in Belgrade

Britain yesterday suspended all official aid convoys throughout the former Yugoslavia after gunmen, believed to be Moslems, shot dead a British aid worker and wounded two others as they tried to escape, in the central Bosnian town of Zenica.

Only hours after the incident, three journalists working for Italian state television were killed in fighting in the south-western Bosnian town of Mostar, which is under siege by Bosnian Croat irregular troops.

The Italian Foreign Ministry said the three – a reporter, a cameraman and a sound technician for the state broadcasting organisation RAI – were killed during a mortar attack in the Moslem-held eastern part of the town.

The British aid workers, employees of the Overseas Development Administration, were abducted in Moslem-controlled Zenica by a group of uniformed men with assault rifles, according to Ms Sylvana Foa, spokeswoman for the United Nations High Commissioner for Refugees.

"The way it was described to us in the first report [by the two survivors] was that it was a gang, an armed gang," she said. "I don't think this is the policy of any government to do something like this."

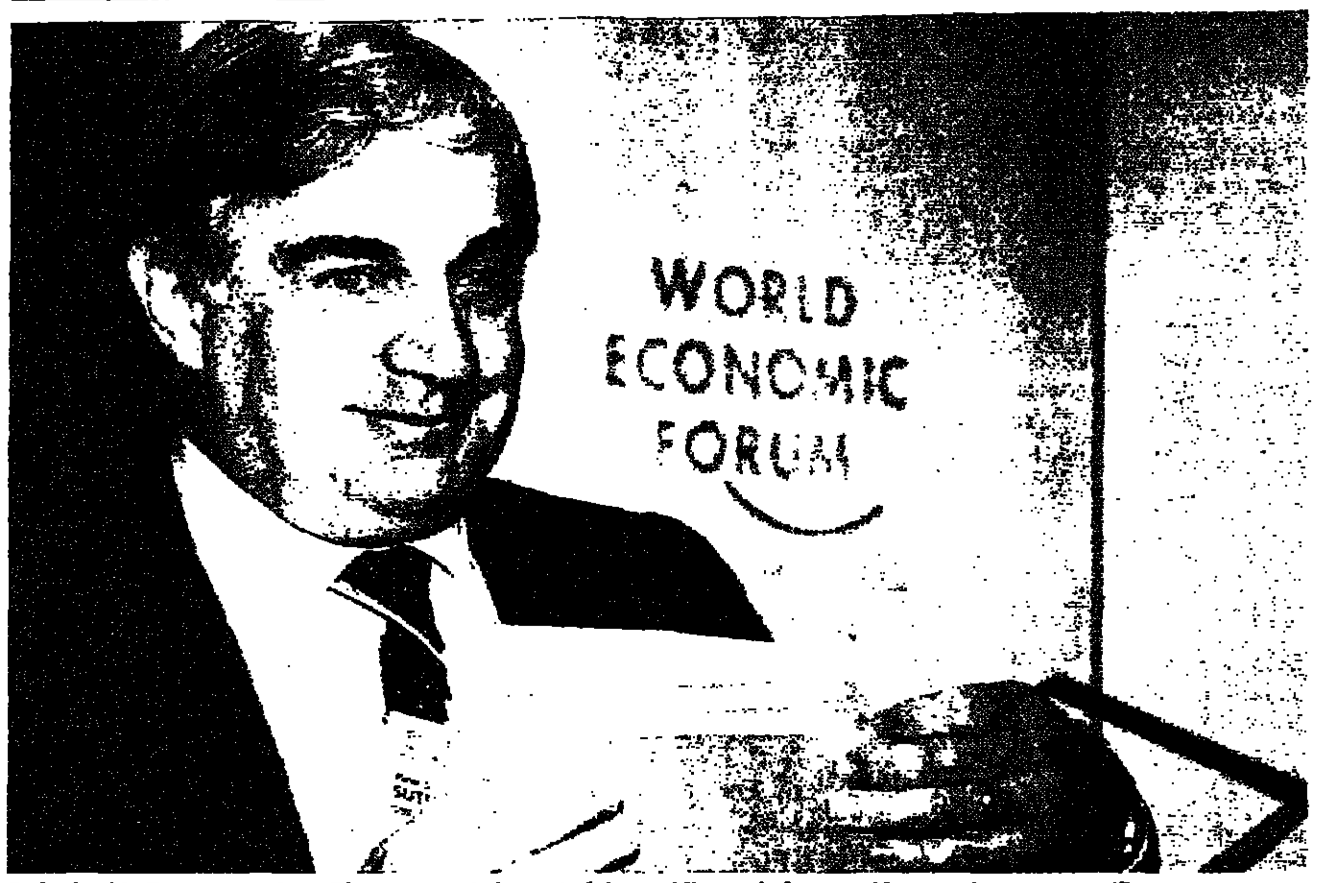
After being seized in their Range Rover outside the European Union's relief warehouse in Zenica, the Britons were driven out of town and ordered out of their vehicle. The "bandits" beat them and robbed them.

One of the Britons, Mr Paul Goodall, was shot dead immediately while the other two ran away towards a river. Both of them were shot and wounded, but managed to escape.

Mr Goodall was the 11th aid worker to be killed in the former Yugoslavia.

The UNHCR is also considering whether to suspend its aid operations in the area, as it did for a month after an aid convoy driver was shot dead in October, according to the organisation's spokesman in Sarajevo, Mr Ron Redmond.

"What we have now is people attacking their own military as well as our own [UN] people. We're extremely concerned about that, and obviously if this kind of thing continues, we are not going to be able to operate," Mr Redmond said.



Sutherland in Davos yesterday: "We cannot exclude most of the world's people from world economic management" Associated Press

Sutherland urges new global forum

By Frances Williams in Geneva

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday called on world leaders to establish a new high-level forum for international economic co-operation, with members drawn from developing and former communist countries as well as the industrialised nations.

Addressing the World Economic Forum in Davos, Switzerland, Mr Sutherland said new co-operative structures were needed to deal effectively with global economic issues and problems. Existing mechanisms were not up to the job.

For example, the Group of Seven rich industrialised nations "self-evidently excludes most of the world's population and a large number of the world's substantial and fast-growing economies". Mr Sutherland was also critical of the lack of co-ordination among the various international institutions, for instance in dealing with Russia's difficulties.

The successful completion last December of the Uruguay Round of global trade talks, if fully exploited, "should mean nothing less than a new start for sustainable growth and a new system of collective economic security for the world", Mr Sutherland said.

It had also shown that economies were "too mutually interdependent to reach their full potential in isolation or at cross purposes".

World leaders should follow through the logic of the round to put in place new co-operative structures that would recognise the realities of the next century. "We cannot continue with the majority of the world's people excluded from participation in global economic management," he said.

The G7 summits have come in for increasing criticism in recent years as irrelevant and ineffective, partly because of their restricted membership and partly because of inadequate institutional support.

Mr Sutherland's proposed alternative would bring a wider range of countries together at prime ministerial and trade and finance minister level, with institutional support coming from the IMF, World Bank and the future World Trade Organisation which will supersede Gatt next year.

Delors calls for closer ties to eastern Europe

By Lionel Barber in Brussels

Mr Jacques Delors, president of the European Commission, yesterday called for a review of policy to help speed the political and economic integration of central and eastern Europe.

The review follows a message from US President Bill Clinton that the European Union must do more to help the former communist countries. But it also anticipates renewed pressure from the east Europeans for closer ties and eventual EU membership following the anti-reformist, nationalist backlash in Russia.

The Commission study will cover technical aid, foreign policy co-operation, and the operation of the Common Agricultural Policy in relation to eastern and central Europe. It is also likely to examine the prospects for new security links, including possible associate membership of the Western European Union.

Mr Delors said in his annual address to reporters in Brussels yesterday that it was time to think of a "Greater Europe". It was not enough to admit four new members (Sweden, Austria, Finland, and Norway), send a friendly signal to Cyprus and Malta, and offer encouraging words to eastern Europe. "Europe needs to know where it is going," he said.

Mr Delors also indicated that thinking about a new European architecture would inevitably re-open sensitive questions about the institutional balance, including the weight of voting between small and large countries.

At the Copenhagen summit in June 1993, the Twelve offered a commitment to the east Europeans that they would be able to join the Union, without offering a firm timetable. They also pledged more formal political ties and greater market access through so-called Europe agreements.

In the past six months, attention in Brussels has been diverted by events in Russia and a failed drive to conclude a new partnership and co-operation agreement with the Yeltsin government.

In his recent trip to Europe, Mr Clinton threw his weight behind continent-wide European integration as well as a new "European defence identity". But he also made clear that the US expected the EU to shoulder more of the burden for helping eastern and central Europe.

US criticism has irked Brussels. Mr Henning Christophersen, economics commissioner, said yesterday that the EU's share of former Comecon countries' exports and imports had risen from 30 per cent in 1988 to almost 50 per cent in 1992. "By comparison, the US share has remained stable at about 2.5 per cent. An amazing difference."

Murdoch admits to talks with Polish TV group

By Christopher Bobinski in Warsaw and Raymond Snoddy in London

Mr Rupert Murdoch's News International yesterday confirmed that it was involved with Polsat, the consortium which has won the licence for Poland's first national commercial television channel.

The company said there had been detailed discussions but no final decisions had been taken and the Murdoch organisation was not legally a member of the consortium.

It is believed that News International, the UK subsidiary of News Corporation, signed a letter of intent with Polsat to take a stake of up to 33 per cent. News International declined to comment on this yesterday.

Earlier, a spokesman had said: "News has had several discussions with Polsat about finding ways in which News might contribute to the consortium, such as the provision of programming, but no final decision regarding any involvement has been made."

Mr Zygmunt Solorz, the owner of Polsat, yesterday denied he had any agreements with News International. "We parted with Mr Murdoch when we made our application for the licence last November," said Mr Solorz yesterday. He added that he recently passed a letter dated January 25 from News International to the Radio and Television Council, which issued the licence, in which the international media group said it wanted to participate in the Polsat application.

The letter came after three days of public hearings earlier this month during which Polsat had taken the line, with considerable success, that it represented a purely Polish bid with no foreign links. It won the licence against competition from mixed local and foreign groups. Mr Solorz said yesterday that he had "no contracts, no agreements with anyone" but he added that he was now receiving offers of co-operation from other foreign companies such as Time Warner.

It appears that Polsat will have to gain the council's approval if it wants to bring in a foreign partner, although the law permits up to 33 per cent foreign ownership.

Mr Solorz wrote yesterday to Mr Marek Markiewicz, chairman of the National Broadcasting Council, insisting that Polsat had no contractual obligations to any foreign interests.

He said he also denied rumours about "alleged negotiations in London at our representatives with News Corporation. All the documents pertaining to our contractor with foreign interests have been presented to the National Broadcasting Council."

Minister sacked amid bank sale row

By Christopher Bobinski

Mr Stefan Kawalec, the deputy finance minister responsible for privatising Poland's banking sector, has been sacked by Mr Waldemar Pawlak, the prime minister, after an outcry over the pricing of a bank privatisation.

Shares in the Bank Slaski, which were offered to the public at 500,000 zloty in November, soared to 6.7m zloty when traded on the Warsaw stock exchange last week. Mr Kawalec, who was respected by local and foreign bankers, had been in charge of negotiations with ING bank of the Netherlands, which bought 29.5 per cent of Bank Slaski at the public offer price.

Mr Kawalec came under fire last week from deputies in the PSL farmers' party, Mr Pawlak's own grouping, who charged that the bank had been sold too cheaply. The dismissal came in spite of the fact that Mr Marek Borowski, the deputy premier in charge of the economy, on Thursday took responsibility for the pricing decision.

So far Poland has seen the privatisation of two big state banks. A third disposal, of the Krakow-based Bank Przemyslowo Handlowy, is planned for the middle of the year. The government had been planning to sell off six more banks by the end of 1996.

Greece faces deficit crunch

By Kerin Hope in Athens

The European Commission has warned that Greece's Socialist government will be obliged to introduce new taxes this year, to prevent the public sector deficit running out of control.

In its latest report on the Greek economy, the Commission predicts that, on the basis of current fiscal trends, revenues will increase by only 15 per cent in 1994, against a budget target of 22.9 per cent.

The report says measures to raise extra revenue, equivalent to 5.5 per cent of gross domestic product, will be needed to limit the central government borrowing requirement to 12.9 per cent of GDP, the budget target.

However, if the government is required to raise extra funds so as to cover a larger-than-forecast public sector wage bill, increased interest payments could send the borrowing requirement soaring to 18 per cent of GDP, the report adds.

After several years of real wage decreases, the government is being pressed to grant generous rises to workers in state-controlled banks and public corporations. Moves to rehire public sector workers dismissed under the previous government's cost-cutting programme are under way.

Greece's public debt, at 154 per cent of GDP the highest in the European Union, is poised to rise again this year as a result of heavy losses posted in 1993 by state-owned corporations.

The economics ministry is trying for consensus on a new legislative package, aimed at speeding revenue collection and reducing tax evasion.

'Tell us your single market troubles'

By Andrew Hill in Brussels

European citizens and businesses should report any complaints about the year-old single European market to the European Commission, officials said yesterday.

They said they were satisfied with the progress of the single market project, in spite of certain teething troubles. The Commission estimates that the implementation of the market has added 0.4 per cent to annual economic growth in the European Union since the project was set in train in 1986.

They pointed out that recent criticism from business and consumers was not reflected in complaints to the Commission, which is supposed to enforce the aims of free movement of people, capital, goods and services.

Mr John Mogg, the senior Commission official responsible for the internal market, said yesterday Brussels would not be soft on infringements of the market's rules, but it could not act on unsubstantiated reports.

"We are not complacent, but we have to know what is going on. We have had a very low level of complaints, which we have dealt with either legally or with the appropriate directive, but if we don't hear about problems we don't know about problems," he said.

Mr Mogg admitted there were certain gaps in the market, particularly in the central objective of abolishing passport checks at internal borders, which has still not been achieved more than a year after the single market "deadline" of January 1 1993.

But he also hit back at reports of companies' dissatisfaction with the year-old system of collecting and monitoring value added tax. Mr Mogg cast doubt on the depth of one recent survey by KPMG, the UK accountant, which pointed to British exporters' dissatisfaction with the market.

Maastricht 'should be put off for 10 years'

By David Marsh
European Editor

The Maastricht timetable for economic and monetary union should be delayed for 10 years, Mr Uwe Jens, economic policy spokesman for Germany's opposition Social Democrat party, said yesterday.

During a visit to London, Mr Jens said the 1999 target date for Emu should be extended by 10 years, since Germany and other EU members were not able to fulfil the economic criteria for membership of a currency union.

According to opinion polls, the SPD stands a good chance of taking power or sharing it in a coalition with the ruling Christian Democrats after Germany's elections in October.

Although Mr Jens stressed his remarks were not official SPD policy, they will strengthen the impression that Emu has slipped well down the political priorities of both leading German parties.

Mr Jens said he wanted all 12 members of the European Union to join Emu simultaneously, as Europe could "split up" if a small group went ahead first.

He coupled his remarks on Emu with a plea for the Bundesbank to cut interest rates faster to spur economic growth. Mr Hans Tietmeyer, the Bundesbank president, was less independent than the SPD would like him to be, in view of his political links to Chancellor Helmut Kohl.

If the SPD came to power, it would probably raise some taxes on consumption and environmentally damaging products to help finance public spending on job creation.

"Our main goal is to reduce unemployment," he said. However, he ruled out heavy deficit spending, as public sector borrowing was already too high.

Reflecting the need to save budgetary funds, Mr Jens said he "did not rule out" that an SPD government would seek to renegotiate Germany's contributions to the EU.

Romanian strikers press for reforms

By Virginia Marsh in Bucharest

Romania's trade unions said last night more than 1m workers took part in yesterday's one-hour warning strike, the biggest union action since the end of communist rule in 1989.

Alfa Cartel, CNSLR-Fratia and the National Union Bloc, which together represent more than 5m workers, half the workforce, said they would launch one-day warning strikes in the next 10 days, to be followed by a general strike, if their demands for faster economic reforms, higher wages and a better social security system were not met.

The high turn-out and threat of further action will increase pressure on the ruling Party of Social Democracy in Romania, which this week began new negotiations for a governing coalition with former communist and hardline nationalist parties.

The three union blocs have said they will only support a government which includes pro-reform opposition parties.

Belarus chooses a conservative

The Belarus parliament yesterday elected as head of state a conservative determined to align his country closer to Russia, Reuter reports from Minsk.

Mr Mechislav Grib, 55, succeeded as chairman of parliament ousted liberal Mr Stanislav Shushkevich, who for two years pressed for Belarus's neutrality and rapid economic reforms against opposition from conservatives in parliament and government.

Air Inter suspends Airbus flights

Air Inter, the domestic subsidiary of Air France, is suspending flights of its new Airbus A330 aircraft because of problems with the landing gear, writes John Ridding in Paris.

Investors in Russia find going tough

By Leyla Boulton in Moscow

Foreign companies operating in Russia expect little change to an already difficult investment climate, with many pointing out that conditions for investing or selling their goods and services had begun to deteriorate even before Mr Victor Chernomyrdin, the prime minister, announced "corrections" to the government's market reforms last week.

Mr Max Dajnowicz, representative for General Motors, said the government's year-end increases in import tariffs had killed off legal car imports, encouraging an influx of unsafe, stolen cars and reducing tax revenues. "It's not clear who is protecting whom here," he said.

A western telecommunications executive, who asked not to be named for fear of hurting his company's relations with the authorities, said various ministries were violating a presidential decree issued last autumn to protect foreign investment.

"The ministries are reimposing monopolies and altering the terms of the licences on which companies based their decisions to come here," he said. He pointed to the ministries for telecommunications, agriculture and oil as examples.

Mr Byron Ratliff, the oil expert at Price Waterhouse in Moscow, agreed that constant changes in tax, legislation for joint ventures and never-ending negotiations over bigger deals in 1993 meant that oil companies expected similarly poor treatment this year.

Even when pro-western reformers at the top had proclaimed a desire for foreign investment, it had been blocked at lower level by officials reluctant to share the country's biggest export earner with foreign investors.

He said the new government had decided to "listen to the election results" last month in which communists and ultranationalists were successful.

Despite the "one bright spot" of a new law allowing production-sharing, which offered potentially more secure revenues for western companies than joint ventures, he believed significant investment by oil companies would be possible only when the country really wanted it. "I think [western oil] people are just waiting for some unforeseen event which will say, 'Yes, foreign investment is required and welcome'."

Some were optimistic in so far as they said matters could not get worse.

"If you consider what has happened over the past three years, this is just another blip on the screen," said Mr David Geovanis, director of Ducat-Liggett, a joint venture which produces cigarettes and develops property. During three tumultuous years, which have seen the collapse of the Soviet Union and two failed coups, his company has managed to overcome difficulties including a protracted dispute with the workforce of a Moscow cigarette factory it has since invested in.

"There is an entrepreneurial drive in this country which moves ahead regardless of what happens," he said.

A few bankers even expressed hopes of an improvement. The bankers have little reason to miss the radical reformers, who failed to reschedule Russia's commercial debts on terms desired by western banks and supported Russian banks' demands for protection against the western competition.

"They were the ones who cut back the terms of our banking licences," said one who declined to be identified, referring to a presidential decree restricting the terms of licences given out by the central bank.

Mr Dominique Menu, the representative of Banque Nationale de Paris, said there was hope "for some discipline" if Mr Chernomyrdin displayed as prime minister the ability and strength he had demonstrated as head of Gasprom, the country's gas monopoly. Whatever happened, he faced an extremely difficult task in trying to keep industry afloat, while keeping a grip on spending.

"It's like riding a bicycle," he said. "You have to keep moving so the bicycle does not fall over, while being able to control it at a downhill speed. Now we're going to see if Mr Chernomyrdin can ride a bicycle in these conditions."

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London denies China claims of secret HK airport finance deal

By Simon Holberton in Hong Kong and Alexander Nicoll in London

Britain yesterday denied a Chinese accusation that it had breached a secret agreement on the financing of Hong Kong's new airport and its connecting railway, as the diplomatic row over the colony deepened.

The Chinese government chose Sir S.Y. Chung, a former senior member of the Hong Kong government who is now advising Beijing, to pass on its allegation that a secret deal had been brokered in 1991 by Sir Percy Cradock, then foreign affairs adviser to Mr John Major, the prime minister.

Sir S.Y. Chung said in Beijing that Mr Lu Ping, head of the Chinese government's Hong Kong and Macao Affairs Office, had been told by Sir Percy that an agreed HK$5bn (£434m) ceiling on Hong Kong government borrowing for the airport project included debt of the airport and rail authorities.

Britain was forced to enlist the support of Sir Percy, now one of the fiercest critics of UK policy on Hong Kong, in denying Mr Lu's contention. Sir Percy, now retired, negotiated agreements with Beijing over Hong Kong's return to Chinese sovereignty in 1997.

"There were no secret understandings between the British and Chinese governments on airport financing," the Foreign Office said.

A dispute over financing threatens to delay completion of a new airport, though Mr Major went to Beijing in September 1991 to sign a memorandum of understanding meant to secure Beijing's blessing for it.

China has since refused to agree how much debt can be used to finance the airport and its railway. It says proposals now on the table represent a financial burden to the post-1997 Hong Kong government.

A clause in the memorandum stipulated that the Hong Kong government's airport-related debt at June 30 1997 – the last day of British rule – should not exceed HK$5bn without China's agreement.

The Foreign Office said: "This clause refers only to borrowings by the Hong Kong government, not borrowings by the Mass Transit Railway Corporation and the Provisional Airport Authority." In Sir Percy's negotiations, there had been no discussion about extending the scope of the ceiling to cover the MTRC and PAA. It had contacted Sir Percy and he "agrees with this description of the position".

Sir Hamish Macleod, the colony's financial secretary, said that throughout the negotiations the issue of public corporation borrowing had been kept separate from government borrowing. "There can be no doubt that borrowings by the PAA and MTRC are outside the HK$5bn figure," he said.

Discussions on the airport and other aspects of the 1997 handover have ground to a halt following the breakdown of Sino-British talks on Hong Kong's political structure.

However, Mrs Anson Chan, Hong Kong's chief secretary, said that when the Sino-British airport committee could meet "we will be putting a new offer which we think will address all the Chinese concerns."

Beijing warns UK sharply on trade

By Tony Walker in Beijing

China has issued its most pointed warning that the continuing row over Hong Kong threatens commercial relations with Britain.

Miss Wu Yi, China's foreign trade minister, told reporters yesterday: "Britain's unfriendly and unco-operative attitude in Hong Kong will certainly affect normal trade."

Her remarks were less equivocal than other official statements on the subject, and indicate that China may be preparing to increase commercial pressures on Britain.

The minister added it was not China's wish that business relations deteriorate. "This is not what we want to see. It is not the responsibility of the Chinese side."

British businessmen in Beijing say they are nervous about possible fall-out from the continuing bitter argument over the democracy plans for Hong Kong by the governor there, Mr Chris Patten.

So far, though, there have been few conspicuous examples of discrimination against UK companies.

One exception was the failure of British companies in a consortium led by GEC-Alsthom to win a share of the first stage of the Guangzhou metro. The contract went to Siemens of Germany.

Mr Zhu Senlin, Guangdong's governor, said then: "Political and economic co-operation between China and Britain cannot be separated."

Chinese customs statistics put Sino-UK trade at the equivalent of $3.59bn (£2.39bn) last year, up 86 per cent on that of 1992.

British trade department figures for the first 11 months of the year showed UK imports from China up by nearly 40 per cent to $1.8bn, and exports up 84 per cent to $994m.

Japanese unemployment rises

By William Dawkins in Tokyo

Japanese unemployment is continuing to creep up, and industrial output has lagged for a record period, yet glimmers of potential recovery were visible yesterday in the latest batch of economic figures.

Industrial production fell by 1.7 per cent from November to December, less than most economists had forecast. That was the 27th consecutive monthly fall in output, Japan's longest losing streak, giving a 4.5 per cent decline for the calendar year. But manufacturers think output might rise slightly this month and next, said a Ministry of International Trade and Industry survey .

The unemployment rate, meanwhile, rose by 0.1 per cent from November to 2.9 per cent last month, a 6½-year high, said the government's management and co-ordination agency.

There were 65 jobs available for every 100 seekers in December, unchanged on the previous month, and close to the 64:100 average in the 10 years to 1986, the year the late-1980s boom began.

The number of people in work rose slightly last month, by 0.2 per cent from December 1992, to 64.32m. "A rise in employment is standard for the early stage of a recovery," said Mr Robert Feldman, director of economic research at Salomon Brothers Asia.

Even so, he was sceptical about Japan's recovery prospects, in that a series of encouraging economic indicators early last year had heralded a deepening of the recession.

Japanese inflation continued to ease last year – another symptom of the weakness of economic activity. Consumer prices rose 1.3 per cent in 1993, compared with 1.6 per cent in the previous year, said the agency.

The inflation rate in Tokyo, available earlier than the national figures, was 1.4 per cent in January, 0.1 percentage points higher than in the previous month. However, the underlying Tokyo rate was unchanged if fresh food prices, which are volatile, are removed.

Nigerian government to control allocations of foreign exhange

By Paul Adams in Lagos

Nigeria's military government is to allocate all foreign exchange directly to importers, in a move which will tighten state control on the economy and further alienate its international creditors, with whom the country has debt arrears of about $6bn (£4bn).

The Paris Club of official creditors, which are owed more than half Nigeria's $28bn external debt, are awaiting the outcome of an International Monetary Fund visit to Nigeria which ends next week before starting to reschedule the debt for the fourth time. The budget forecast additional arrears of about $2.5bn in 1994.

The fund has urged deregulation, but management of the foreign exchange market has been one of the main obstacles to agreement between Nigeria and the IMF, which is a precondition of external debt relief and fresh credit.

The new system is a setback for Mr K.I. Kalu, finance minister, and Mr Paul Ogwuma, central bank governor, whose free-market policies have been overruled by the rest of the government's economic committee, chaired by Mr Lateef Jakande, minister of works.

The guidelines issued yesterday in effect return Nigeria to the import licensing system which became notorious in the 1980s for the corruption it encouraged in ministers and senior civil servants.

All foreign exchange earned by both private and public sector exporters will have to be sold, at the fixed rate of 22 naira to the US dollar, to the Central Bank of Nigeria, which will make direct allocation of foreign currency to "importers/end-users". Eighty per cent of the currency is set aside for manufacturing industry and agriculture, but the individual allocations will be made by the cabinet's economic committee.

"It is a return to import licensing by another name," said a banker in Lagos last night. "In some ways, it is a relief because now the government is completely responsible for the foreign exchange system so, when it goes wrong, they will have no-one else to blame."

During various experiments with deregulation in the past eight years, Nigeria had increased the role of the banks in the foreign exchange market but never completely relinquished control, especially of the exchange rate.

From now on, the banks will be agents of the central bank, there will be no facility to sell dollars earned by exporters at competitive exchange rates, the parallel market will be illegal and bureaux de change will only be allowed to buy foreign currency at a fixed rate and pass it on to the central bank.

Some manufacturers argued, before the budget presented this month, for a guaranteed supply of foreign exchange at a stable rate, but the exchange rules have already slowed exports and inward investment. This will further depress Nigeria's balance of payments.

SA right meets on poll participation

By Patti Waldmeir in Johannesburg

Right-wing groups in South Africa have summoned their supporters to meet this weekend to decide between peace and resistance to majority rule, with the gatherings expected crucially to affect South Africa's nascent democracy.

It was not clear last night whether the white right Afrikaner Volksfront (Afrikaner People's Front) or the mainly Zulu Inkatha Freedom party could take a final decision on whether to participate in all-race elections in late-April and implicitly to accept a constitution which they believe denies self-determination to the Zulu and Afrikaner peoples.

Both may seek to avoid a final decision, rather than preempt talks, due to resume on Monday, with the African National Congress and the government on self-determination and regional autonomy. But officials from both groups, which are due to hold large separate meetings, said negotiations had reached the "end of the road" and resistance campaigns were likely to be launched, at the weekend or later.

Negotiators from all three blocs were privately despondent that agreement had proved elusive, despite several extensions of the deadline for agreeing amendments to a new constitution before the April election date is proclaimed. A proclamation is now expected to be made next week.

Each group is eager to ensure it is not blamed for the failure of talks, and the weekend meetings could see the right offering publicly to participate in elections, but under conditions they know the ANC and the government would find impossible to accept.

Those close to the Afrikaner Volksfront said they had reached agreement with the ANC to set up a homeland for Afrikaners, who would be represented in the national parliament in a third chamber, additional to the national assembly and the senate. However, the government had refused this deal.

Revolt cements Mexican parties' electoral accord

By Damian Fraser in Mexico City

The peasant uprising in the Mexican state of Chiapas has achieved what years of negotiating between the country's main political parties could not. It has made the government and the main opposition forces agree the electoral rules for a presidential election.

The electoral pact between the main parties for the poll in August could be the most important political reform of the presidency of Mr Carlos Salinas.

It marks the first time the left-wing Party of Democratic Revolution (PRD) has accepted the electoral system as legitimate and the pact should pave the way for a credible and peaceful ballot.

The governing Institutional Revolutionary party (PRI) has made, on paper, substantial concessions. It has agreed to pick electoral authorities acceptable to all parties, to guarantee equal access to the media and to appoint a prosecutor for electoral fraud. Also, although this is not part of the agreement, the limit on each party's campaign spending has been cut from the equivalent of $210m to $40m (£26.6m).

"This is the beginning of a democratic transition in Mexico," says Mr Manuel Camacho Solis, the government's commissioner for peace in Chiapas and former mayor of Mexico City. With President Salinas, he helped forge the agreement.

Much can still go wrong, and many details of the pact need to be negotiated. The PRI rank and file, unlikely to be happy about the concessions its leaders have made, may not comply with the pact's provisions. The PRD would then quit the agreement, accusing the government of duplicity.

Mr Cuauhtémoc Cárdenas, the PRD presidential candidate, said on Thursday that the pact was "an important and positive step." He admitted to taking a serious risk in accepting the government proposals.

Mr Camacho is clear about the motivation behind the electoral pact: "I could not have resolved Chiapas without this political reform." One of the principal demands of the Zapatista guerrilla rebels in the southern state has been greater democratic participation by all Mexicans.

The pact also has the potential advantage of bringing the PRD into the political mainstream. Mr Salinas has spent much of his administration trying to stamp out the PRD – one reason, critics claim, that leftist Zapatista rebels had to seek extra-political solutions to their conflicts.

The PRD may have seen its popularity climb after the revolt in Chiapas but Mr Luis Donaldo Colosio, the PRI's presidential candidate, remains the strong favourite to win in August. The threat of post-electoral violence, however, probably convinced him to support the inter-party pact and settle differences with Mr Cárdenas.

Mr Salinas, before leaving yesterday for the Davos conference in Switzerland, reiterated at a private breakfast with PRI legislators and governors that Mr Colosio would be the party candidate. The president was seeking to dispel rumours that Mr Colosio would be replaced by Mr Camacho.

The latter, who was being pessimistic last weekend about peace in Chiapas, is now more hopeful. He has reported new communication with the guerrillas. The government, through offering money and political change in Chiapas, is moving to address the other main rebel demand – improved living conditions for the indigenous peoples in the state.

This may still not be enough. Rebel leaders have dropped early demands for the overthrow of the Salinas government but no-one can be sure that their followers will be satisfied with what the government is offering.

"The rebels are fighting the same battle we are," says a government official familiar with the negotiations. "They're divided between violent extremists and those who hope to achieve their goals through the reform of the political and judicial process."

Candidate Colosio (left) is still President Salinas's man for the top job

Bangkok police on murder charges

By William Barnes in Bangkok

Seven Thai policemen were charged yesterday with operating a scheme that involved the murder of at least nine Chinese tourists from Hong Kong, China and Taiwan.

Police captain Prayong Chuphan and his six low-ranking accomplices said they had prowled the streets of Bangkok last year looking for likely victims to lure into the countryside where they were beaten, robbed and – in many cases – shot.

Acting national police chief Pratin Santiprapob said: "As many as 40 foreigners went missing about this time. We are afraid there will be more bodies. They picked on Chinese because they normally have gold ornaments like necklaces and Rolexes. Chinese often like to gamble, so they carry a lot of cash."

The case further darkens the Thai police's reputation for bribery, links to prostitution and extortion of cash from motorists. It coincides with hopes in Thailand's important tourist industry of an upsurge in Asian arrivals to help compensate for a decline in arrivals from Europe and North America.

A Chulalongkorn University study last year claimed that up to 80 per cent of Thai junior policemen are corrupt and that commissioned officers have to pay up to the equivalent of £8,000 for posts in areas of "widespread illegal activity". A senior policeman might have to pay bribes to the value of £1m for promotion to assistant director-general.

Corporal Somchai Ophaso, the only one of the seven accused to speak at a news conference yesterday, complained: "We police who work outside the station have no money. Only the people who stay close to the boss can climb the promotion ladder." He recommended: "People who look after tourists should look after them better."

Chile copper loss may reach £109m

Losses made by Codelco, Chile's state copper company, on the London Metal Exchange could rise to $165m (£109m), a senior Codelco executive admitted yesterday. Original estimates, revealed on Wednesday, had been in the range of $100m, reports David Pilling in Santiago.

The Chilean Supreme Court, in response to a call from President Patricio Aylwin, has appointed a special judge to investigate losses at Codelco, the world's biggest copper company. The mining commission of the federal Chamber of Deputies, accountants Price Waterhouse and Codelco itself will run parallel investigations.

They will be trying to discover how strict controls on futures and options trading were circumvented by one Codelco trader who is said to have kept his rising losses secret for four months. Three Codelco executives resigned this week.

President Aylwin, who did not rule out the possibility of further resignations, said it had come as a "surprise" to him to learn that Codelco took part in futures transactions. "It strikes me as a delicate matter in a state company," he said.

The National Federation of Copper Workers called for all top Codelco executives to resign, contrasting losses on the futures market with the management's continual insistence on cost-cutting measures.

Markets edgy at Brazil tax defeat

Brazil's financial markets reacted nervously yesterday to the government's failure to win support for a tax increase needed to help balance this year's budget. Share prices were down by 4 to 5 per cent at midday, reports Angus Foster in São Paulo.

A balanced budget is a needed for an economic stabilisation programme launched by Mr Fernando Henrique Cardoso, finance minister, to tackle inflation of about 40 per cent a month. The proposed tax increase was relatively small, and the money can probably be found elsewhere, but the failure has damaged the credibility of the programme and its architect.

The defeat stemmed from the government's inability to muster a quorum in Congress on Thursday night, in effect the deadline for several measures to be adopted this year. The planned tax increase and other measures will now lapse, costing the government the equivalent of about $500m (£334m) in annual revenue.

If Mr Cardoso can present a balanced budget, he plans to introduce a new inflation index which could become a new currency linked to the US dollar or a basket of currencies.

However, there is increasing concern whether a projected balanced budget will be real. For example, the government is thought to be banking on an increase in the estimated takings from social security contributions, against the advice of some private sector economists.

New Algerian head

Algeria's new president is to be General Lamine Zeroual, defence minister, writes Francis Ghilès. He succeeds the High Council of State which has ruled Algeria since its first multi-party elections were aborted two years ago.

Court rules Gummer guidance 'unlawful'

By John Authers and Kevin Brown

The government's review of local authorities in England was seriously damaged yesterday after the high court ruled that Mr John Gummer, the environment secretary, had acted unlawfully in calling for the two-tier structure of county and district councils to be abandoned in all but "exceptional" circumstances.

Two-tier local government now seems likely to remain intact in most of rural England, with the exception of counties created by the last reorganisation in 1974, such as Avon and Cleveland.

But the Department of the Environment said it intended to continue with the review, which aims to produce plans for restructuring all non-metropolitan England by the end of this year. The new authorities are set to start in April 1996.

The decision came as opposition to the Local Government Commission's reforms built up rapidly among Conservative MPs, especially in Yorkshire and the West Country.

Sir Marcus Fox, MP for Selby and chairman of the 1922 committee of Conservative MPs, said backbenchers were "generally very concerned".

Mr David Rendel, Liberal Democrat local government spokesman, called for the government to abandon the review. "This farce has gone on long enough," he said. "Local government does need reform, but not in this way."

The High Court judgment followed an appeal by Lancashire and Derbyshire county councils against new guidance Mr Gummer gave to the commission last September. This said: "In some areas the commission may wish to recommend a continuation of the existing two-tier structure. But the government expects that to be the exception, and the result will be a substantial increase in the number of unitary authorities in both urban and rural areas."

The court said Mr Gummer exceeded his powers in saying this, because the legislation, introduced in 1992 when Mr Michael Heseltine was environment secretary, had instructed the commission to find out whether public opinion in an area favoured reform before making recommendations. It stated no preference between unitary and two-tier councils.

Mr Gummer may appeal against the ruling.

Sir John Banham, chairman of the commission, had already attacked the guidance, saying ministers had been "pushed into a position where they are predicting the outcome of the review". He added that there was nothing to stop the commission recommending the status quo for many more English counties, if this was supported by public opinion.

They could "opt in" to the review at a later stage, via a petition of local residents, once other unitary authorities had been established.

But this proposal was rejected by Mr John Major, the prime minister, last July.

WDA to shed 70 staff in shake-up

By Roland Adburgham, Wales and West Correspondent

The troubled Welsh Development Agency is to be decentralised with three new regional divisions and the loss of about 70 of its 420 jobs.

The new structure was unveiled yesterday as the Labour party questioned the political impartiality of the agency's chairman and called on him to resign.

The WDA's regional staff will be increased by 40 per cent to give stronger support to Welsh companies and speed up urban and rural regeneration. The international division, responsible for inward investment, will also be reshaped.

"The agency will be slimmer, more effective and certainly in a shape that is more relevant to the next five years," Mr David Rowe-Beddoe, who took over as chairman last summer, said yesterday. He said he expected the changes to make cost savings of £1m annually

The demand for Mr Rowe-Beddoe's resignation came from Mr Ron Davies, shadow Welsh secretary, who said the WDA chief had been chairman of the Conservatives Abroad Association in Monte Carlo.

Mr Davies said: "His role raising money and gathering votes for the Tories from tax exiles is wholly at odds with his job of public service at the WDA."

Mr Davies said it also called into question the future of Mr John Redwood as Welsh secretary. "It strains credibility for John Redwood to call as he did in the summer for higher standards at the WDA, and to apologise to parliament for past lapses, yet appoint a chairman with strong partisan ties," said Mr Davies.

Mr Rowe-Beddoe responded by saying that he had resigned from the association before he became chairman.

"I believe my appointment was for no political reasons whatsoever," he said. "I've never discussed political affiliations with the secretary of state either before, or at the time of, or following my appointment. I certainly believe I was selected as the best man for the job."

Referring to the highly critical report on the WDA last year by the Commons public accounts committee, Mr Rowe-Beddoe said the new structure was not a direct response but was a "very important fundamental step" in the agency's reorganisation and would move decision-taking closer to the clients.

Mr Rhodri Morgan, Labour MP for Cardiff West, said he was concerned that "hidden" behind the decentralisation was "a very substantial measure of privatisation, downsizing and out-sourcing and a reduction in the capability of the WDA to offer a comprehensive package".

Forced resignation clouds Scots agency

By James Buxton, Scottish Correspondent

Just over two weeks before a parliamentary inquiry into the operations of Scottish Enterprise, the economic development network for central and southern Scotland, the chief executive of one of its local enterprise companies has been forced to resign.

Mr Charles Fairley has quit his role at Scottish Enterprise Tayside, the local enterprise company based in Dundee, over his links with a com pany involved in commercial dealings with the Lec.

Recently, Scottish Enterprise, set up in 1991 to replace the Scottish Development Agency, has faced heavy criticism, particularly over dealings between Lecs - employer-led local economic regeneration bodies - and companies in which the Lecs' non-executive directors are involved.

Although Scottish Enterprise National, the parent body, has found no evidence of impropriety, these criticisms prompted an inquiry by the Commons Scottish select committee which will begin next month.

Mr Fairley's resignation concerns an attempt by Scottish Enterprise Tayside to assist Laser Ecosse, a laser company bought by its management from Ferranti International. The Lec commissioned another laser specialist, Medical Laser Technologies, to assess Laser Ecosse's prospects and later proposed that both the Lec and MLT should take stakes in Laser Ecosse.

Although Mr Fairley is non-executive chairman of MLT and had earlier disclosed this to the Lec's board, he did not alert them to the conflict of interest at the time decisions over Laser Ecosse were made.

Late last year Laser Ecosse rejected an investment in it by MLT, and later the Lec decided independently not to proceed in association with MLT. Laser Ecosse restarted talks with the Lec excluding both MLT and Mr Fairley.

The Lec board called in Scottish Enterprise National, which employs Mr Fairley. On Thursday night Scottish Enterprise National announced Mr Fairley's resignation.

Last night Scottish Enterprise said that the case was the first of the many it had investigated in which "procedural irregularities" had been found.

He is the second chief executive of a Lec to resign. Last August Mr Paul Pettigrew, chief executive of Dumfries and Galloway Enterprise, another Lec, left after an investigation into his management.

Independent bidders told to improve their offers

By Raymond Snoddy

The potential saviours of The Independent and the Independent on Sunday are being told that they will have to pay more or make their offers more attractive to shareholders.

Mr Ian Hay Davison, chairman of Newspaper Publishing, the newspaper group holding company, and the non-executive directors have reviewed the bid, offer and proposal that have been submitted and found them all wanting.

Mr Hay Davison believes an auction is under way, although there are a range of complex issues involved.

The proposal from the consortium which groups the two main existing shareholders - El Pais and La Repubblica, the founders, led by Mr Andreas Whittam Smith, and Mirror Group Newspapers - is now being treated as a formal bid. The offer, which would see MGN take a 40 per cent stake, is pitched at between £2.40 and £2.80 a share.

The board committee has indicated that the bid does not place an adequate value on the company and it is asking for more.

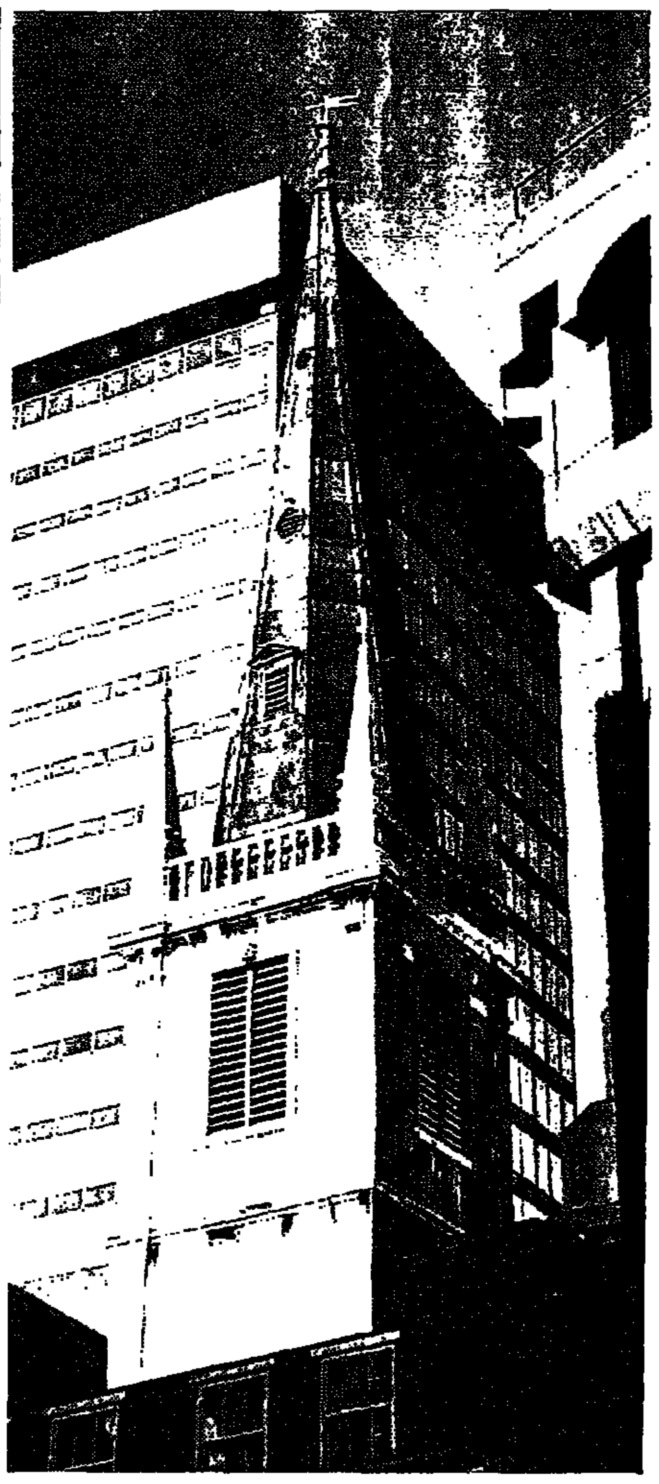
The offer from Mr Tony O'Reilly's Independent Newspapers of Ireland, which would put £21m of new money in the form of convertible shares worth £3 a share, giving O'Reilly just under 25 per cent, is seen to be attractive. A flaw is the accompanying offer for only up to 20 per cent of the existing shares at £2.50. Institutions hold 52 per cent and those holding more than 20 per cent will probably want to sell.

Mr O'Reilly is being pointed in the direction of a larger, more extended offer, possibly with a partner.

Mr Conrad Black of the Daily Telegraph group is waiting. The Telegraph earlier put forward a proposal which remains on the table. The deal would essentially take out the institutional shareholders who want to sell their shares and provide some "topping up" money for the future of paper.

Apart from being able to print The Independent, the Telegraph would manage the business, apart from editorial, and offer a joint ratecard for advertising.

The Telegraph is not pushing hard on the issue. Mr Dan Colson, vice chairman of the Telegraph, said last night: "They know where we are. They know what the proposal is. The next move is up to them."



Tony Andrews

Lack of demand: St Margaret, Pattens, which may be locked up

26 City churches face role change

By Alan Pike, Social Affairs Correspondent

Two-thirds of the City of London's famous Anglican churches would cease to be used for regular worship under recommendations published yesterday.

A City Churches Commission chaired by Lord Templeman, a law lord, concludes that plans by Dr David Hope, Bishop of London, to make the church's ministry and mission more effective will not be fulfilled while so many resources are devoted to a "fruitless attempt" to maintain all the City churches as separate entities.

The commission proposes that there should be four parish churches in the Square Mile. A further eight would remain in active use with full-time incumbents.

There is, says the report, no demand for a remaining 26 and they would become "reserve" churches. Some might be "locked up and merely maintained wind and water tight". Others could be used for ecumenical, philanthropic or cultural purposes.

The commission recommends that St Ethelburga, destroyed in last year's Bishopsgate bombing, should not be rebuilt. It says arguments that failure to rebuild St Ethelburga would constitute a victory for the IRA are "emotional and fallacious", and that many churches destroyed by war and fire are not rebuilt.

Previous attempts to rationalise the City churches have failed, but recent deterioration in the Church of England's finances make it probable that action will be taken this time.

Under the commission's proposals City clergy would, as incumbents retire, be appointed on five-year contracts. A new senior post of City Dean would be created.

City Churches Commission, report to the Bishop of London. London Diocesan House, 30 Causton Street, London SW1P 4AU. £2.

Testament of change for the Square Mile

"Active" parish churches
All Hallows-by-the-Tower
St Bartholomew the Great
St Giles, Cripplegate
St Helen, Bishopsgate

Other "active" churches
St Botolph, Aldgate
St Bride, Fleet Street
St Lawrence Jewry
St Magnus the Martyr
St Margaret, Lothbury
St Mary-le-Bow
St James, Garlickhythe
St Mary, Woolnoth

"Reserve" churches
St Andrew by the Wardrobe
St Andrew Holborn
St Anne & St Agnes
St Bartholomew-the-Less
St Benet, Paul's Wharf
St Mary Abchurch
St Michael Paternoster Royal
St Nicholas, Cole Abbey
St Olave, Hart Street
St Peter, Cornhill
St Stephen, Walbrook
St Andrew, Undershaft
St Michael, Cornhill
All Hallows, London Wall
St Botolph, Bishopsgate
St Clement, Eastcheap
St Edmund, King & Martyr
St Katharine Cree
St Margaret, Pattens
St Mary-at-Hill
St Vedast, Foster Lane
St Botolph, Aldgate
St Dunstan-in-the-West
St Martin Ludgate
St Mary, Aldermary
St Sepulchre-without-Newgate
St Ethelburga, Bishopsgate
(damaged by IRA bomb)

Autonomy hopes for Bank dashed

By David Owen

Supporters of more autonomy for the Bank of England suffered a setback yesterday when a Treasury minister told MPs that statutory moves in that direction were unlikely in the foreseeable future.

Mr Stephen Dorrell, financial secretary to the Treasury, said the government was "agnostic" about the principle of a more independent central bank. But he said ministers had not decided that greater independence was "either impossible or undesirable". His comments came as a backbench bill to increase the Bank's independence failed to negotiate its first Commons hurdle.

The bill - introduced by Mr Nicholas Budgen, the Eurosceptic Tory MP for Wolverhampton South West - was effectively killed when time ran out at Westminster in yesterday's second-reading debate.

Alluding to recent changes conferring a bigger role in deciding the timing of shifts in borrowing rates upon the Bank, Mr Dorrell said the government had already "gently embarked" down the path of greater independence.

He emphasised that ministers would adopt a gradualist approach when deciding whether to move further down this path. "The way we intend to proceed is by starting with what we have and asking how can this be improved, not by starting with a plain piece of paper and asking 'how would this be done in a perfect world'," he said.

Under current conventions, the chancellor "fixes the level of interest rates and the Bank has responsibility for management of the changes".

Mr Dorrell warned that it was "dangerous" for people to allow themselves to believe that any given set of institutional arrangements could be a "panacea" guaranteeing price stability.

But he rejected the notion that an independent central bank would be inherently undemocratic.

It was not a question of which set of arrangements was more democratic but of which set was broadly accepted as having earned legitimacy over a long period, he argued.

The central question was how people would react to an independent central bank putting up interest rates.

Mr Alistair Darling, Labour's City spokesman, said there was no evidence that an independent central bank was a necessary condition for achieving a low inflation rate.

Mr Ken Livingstone, the Labour leftwinger, said Mr Budgen's bill would amount to "one of the most pernicious attacks" on the British people for many decades if it became law.

Insurers threaten Names over offer

By Richard Lapper

Insurers for Lloyd's agents yesterday threatened loss-making Names with long and expensive court battles if they reject the insurance market's £900m settlement offer next month.

In a letter to Names, the individuals whose assets have traditionally supported the insurance market, errors and omissions (E&O) underwriters at Lloyd's ruled out additional money, denting Names' hopes of an improved offer.

Insurers are understood to have agreed to contribute about £400m to the deal announced last month. Further funds will come from Lloyd's central fund - which meets claims when Names cannot meet their obligations - and voluntary contributions from agents.

"We have assessed the potential liability of the agents when set against the limited amount of insurance in force," the E&O underwriters' letter said.

"On this basis we can justify our contribution, but not more. The only way we can be persuaded is by the courts, and even then funds are limited."

Insurance funds likely to be available if legal actions are successful "will be well short of the £900m currently on offer," the letter added. Many agents had inadequate insurance, while others who have more than enough insurance have very little exposure.

Mr Michael Deeny, chairman of the Gooda Walker Action Group, the largest organisation of loss-making Names, said: "I can only characterise these letters as a regrettable attempt to mislead the Names."

Based on figures supplied by the E&O insurers, the offer document estimated "cover available for the losses of about £2,800m" of between £820m and £1,085m, said Mr Deeny.

The Gooda Names, whose main legal case is scheduled to begin in April, are also aiming to sue for losses which are not covered by the offer document. Successful claims could trigger more than £200m in extra E&O cover, said Mr Deeny.

Public talk peace at Sinn Féin hearing

By Michael Cassell

Twenty two years ago tomorrow a protest march heading for Londonderry's Guildhall ran into the 1st Battalion of the Parachute Regiment and "Bloody Sunday" became a part of Ireland's historic agony. Yesterday, 3,000 lives later, the same building played out another chapter in the still unfolding drama.

In a hall just along from the memorial window commemorating the 13 who died violently on the streets of the Bogside, Sinn Féin's "peace commission" sat to listen to the public's views on the latest, joint effort by Dublin and London to bring an end to the suffering.

The hearing, conducted on quasi-judicial lines, gave individuals and organisations their chance to state their case, though the six-strong commission panel - drawn from Sinn Féin's executive - cut short any attempts to enter into debate. Further sessions are planned for Dublin, Cork and Galway, after which Sinn Féin says it will make public its findings.

Those speaking yesterday included community groups from the Bogside ghetto, ex-prisoners and non-affiliated organisations committed to reconciliation.

One by one, they offered graphic descriptions of the city's barricade culture or traced the messy history of "unionist hegemony".

Mr Martin McGuinness, identified by British security forces as IRA chief of staff, sat quietly among the audience.

If the panel had expected ringing endorsement from a partisan gathering for its repeated demands for clarification of the joint declaration, it was quickly disabused.

Mr Jon McCourt, from Derry's Peace and Reconciliation Group, wanted to ask if Sinn Féin would clarify what it meant by clarification and whether, if the majority of submissions to the commission demanded an end to violence, the republican movement would respond positively. His questions were disallowed, on the grounds that they constituted a dialogue. Only the commission, he complained later, was apparently allowed to ask questions.

Mr John Robb, a former senator in the Irish republic, said that while Sinn Féin demanded that the British government should be seen as a persuader in bringing about a political settlement, the party itself could be persuasive in urging the IRA to end its campaign. He warned that the longer the IRA pursued its tactics, the better armed and better organised the loyalist paramilitaries would become.

Mr Tony Carlin, a former mayor of Derry, said the merest hint of a British withdrawal would activate a loyalist campaign of terror.

Mr Terry Robson, a teacher at the University of Ulster, was not alone in strident criticism of the two governments. He dismissed the joint declaration, claiming neither party to it had any intention of responding to the demands for national self-determination.

As the contributions continued through the day, preparations outside were underway for tomorrow's demonstration, in which thousands will retrace the 1972 march.

Yesterday, the families of those killed more than two decades ago called on Mr John Major for a new public inquiry.

Ulster MP claims shift by Catholics

A growing number of Roman Catholics in Northern Ireland see their long-term future within the UK, Mr John Taylor, an Ulster Unionist MP, said last night.

He said Catholics in Ulster feared that their quality of life would suffer in a united Ireland, while in the Irish Republic people had turned their backs on old-style republicanism and re-unification was no longer a priority.

Mr Taylor, MP for Strangford, said the economics of a united Ireland would be disastrous and he predicted mass emigration.

He told his party's Mid-Ulster constituency association: "Thinking Catholics and Protestants do not want to suffer such an experience and that is why the greater number of people in Northern Ireland, including an increasing number of Catholics, want to remain in the UK and have improved relations between north and south."

If Northern Ireland left the UK, Mr Taylor said it would cost the republic £3.5bn a year - about £10,000 for every man, woman and child - to maintain the same level of public services and quality of life.

BA pays Virgin £2.6m to settle row

British Airways yesterday agreed to pay Virgin Atlantic Airways £2.63m plus costs to settle the first of the bitter disputes between the two airlines, Rachel Johnson writes.

That dispute arose in 1988 when BA held a contract to maintain Virgin's aircraft.

According to Virgin, BA caused engineering damage to Virgin's aircraft on five occasions that year. One aircraft was grounded for two months during the peak summer holiday season, forcing Virgin to charter replacements, the company said.

BA argued that the payout was "modest in relation to the nearly £8m demanded" to settle the long-running dispute.

Mr Richard Branson, Virgin's chairman, said: "This is the second time that BA have denied any liability and refused to settle a valid claim for damages and then capitulated at the eleventh hour."

The maintenance settlement is separate from the "dirty tricks" claim, which emerged in January last year.

Title switch for Terry Venables

Mr Terry Venables' job title when he takes over the running of the international England team will be "coach" and not "manager", the Football Association, the governing body of English soccer, announced yesterday.

Mr David Davies, FA director of public affairs, said Mr Venables would not inherit the limited administrative and commercial responsibilities exercised by his predecessor, Mr Graham Taylor.

The change in title reflects the FA's desire to emphasise that it is restructuring English international football following the country's failure to qualify for this year's World Cup rather than any substantial change in the job.

Mr Davies said yesterday's press conference at Wembley stadium to announce Mr Venables' appointment was "the biggest attendance in English football for this sort of event".

Mr Venables said he intended to pursue both his action against Tottenham Hotspur for wrongful dismissal and to sue BBC TV for libel over a Panorama programme about his financial dealings.

Scots trustees quiet on gallery

The trustees of the National Gallery of Scotland were saying nothing last night after meeting to discuss controversial plans to create a new gallery of Scottish art in Glasgow, a plan which would entail closing the Scottish National Portrait Gallery in Edinburgh.

The plan has aroused considerable opposition. This week the government told the House of Lords that it had the final say on the issue which could require legislation.

It suggested that the trustees were "putting the cart before the horse" in deciding to go ahead with the project and choosing its location without formally submitting its plans to the government.

Before the meeting Mr Angus Grossart, chairman of the trustees, said they would be "progressing" their formal submission.

Health hospitality bill criticised

The Department of Health spent £211,531 - £579 a day - on entertainment in 1992-93, a 74 per cent rise over 1990-91, Labour claimed yesterday.

"Virginia Bottomley has got her priorities all wrong," said Ms Dawn Primarolo, shadow health minister. "This money should be spent on patient care - not entertainment, food and drink for ministers."

Mr Tom Sackville, health minister, claimed the money was mainly spent on tea and coffee. The department had underspent its hospitality budget for this year, he said.

Accident halts ferry services

B&I Line services between Dublin and Holyhead in north Wales have been suspended after the company's 20,000-tonne Isle of Innisfree ferry hit a berthing pontoon in rough weather at Holyhead.

The pontoon was damaged, preventing the vessel, with 146 passengers on board, from docking. It returned to Dublin. B&I said the accident meant the company would not be able to operate its twice daily services between Dublin and Holyhead until February 8.

DTI exports chief gives evidence to Scott

Whitehall blamed for trial shambles

By Jimmy Burns

Whitehall manoeuvrings over a trial at the heart of the arms-for-Iraq affair were a "shambles", a top civil servant told the Scott inquiry yesterday.

Mr Michael Coolican, head of the Department of Trade and Industry's Export Control Organisation, described the lack of co-ordination between Whitehall departments and confused legal advice in oral evidence: "We [the DTI] were in a state of not knowing what documents should not be disclosed or why . . . it was done in an uncoordinated fashion, a shambles."

Mr Coolican referred to his own state of "anxiety" after discovering that customs were prosecuting a company for exporting goods that had earlier been approved by government ministers apparently for intelligence reasons.

"I had seen a stream of submissions going to ministers saying 'let's approve these exports, don't hang around, there's nothing wrong with them', and here is Customs saying that there is," he said.

On October 1 1992 - eleven days before the start of the Matrix-Churchill trial - Mr Coolican wrote to another official complaining about the way the prosecution was being handled by Whitehall and customs.

At the time officials were getting conflicting advice from lawyers on how ministers should use public interest immunity certificates to withhold documents of relevance to the defence. "The reasons we look like a bunch of bungling amateurs is because we are being asked to do what we have never been asked to do before," Mr Coolican wrote.

Questioned persistently by Lord Justice Scott and his counsel Miss Presiley Baxendale QC about his own involvement in the trial, Mr Coolican admitted that his own witness statement should have been "fuller". The statement, drafted under legal advice, had omitted a reference to machine tools granted export licences after intelligence indicated they were being used to bolster Iraq's military capacity.

Mr Coolican also told the inquiry how DTI officials had concluded that advice given to Mr John Major, the prime minister, by Sir Robin Butler, the cabinet secretary, had been misleading. Sir Robin's advice was that government had not known about the military applications of Matrix Churchill exports.

In further written evidence, Mr Coolican has listed attempts by Whitehall since 1990 to boost efficiency in its export control procedures.

● Mr Jonathan Aitken, defence procurement minister has been asked to give written evidence by the Scott inquiry, it emerged last night. Mr Aitken told the Commons on Thursday that Saudi Arabia was under no obligation to give details of the end users of defence equipment supplied by Britain under the Al-Yamamah defence deal.

Midlands terminal given approval

Mr John Gummer, the environment secretary, has given conditional planning permission for the biggest Channel tunnel freight terminal, distribution and manufacturing business park proposed in the Midlands.

The condition is that the developer arranges road access from the site to the motorway network.

The interim decision announced yesterday, which follows a public inquiry in late 1992 and early 1993, concerns nearly 600 acres of redundant power-station land at Hams Hall, near Coleshill, Warwickshire. The land, beside the planned Birmingham northern relief road, is owned by PowerGen, the electricity generator, and will be developed by Trafalgar House Business Parks.

Legal battle over Aids drug widened

Lawyers acting for the widow of a British Aids victim said yesterday they had widened the legal battle over the claimed toxic effects of AZT, the most widely prescribed anti-Aids drug.

They are extending their case against Wellcome, the pharmaceuticals company, to encompass a US government agency as well.

Mrs Susan Threakall claims her haemophiliac husband's death was caused by the drug AZT and not by Aids, solicitor Mr Graham Ross said. She says her husband was given AZT only because of unjustified claims made for the drug by Wellcome and the US National Institute of Allergy and Infectious Diseases.

Her case against Wellcome was announced earlier this month. The company said it would defend the case vigorously.

Warning on mines compensation

Farmers and landowners who suffer from the effects of mining may not be properly compensated after privatisation of the coal industry, the Country Landowners Association said yesterday.

Its statement follows a similar warning from the Royal Institution of Chartered Surveyors. The Department of Trade and Industry said the association had misunderstood the privatisation bill.

The association said the obligation on private-sector mining companies would be limited to expected costs over the next 12 months. It said it was not clear what would happen to claims at a later date if the operator ran into difficulty.

The DTI said there would be an annual review but in some cases the liabilities could go up each year.

National Trust theft charge

A former senior National Trust executive is to appear in court charged with the theft of £57,994 from National Trust Enterprise, the charity's business arm.

Mr Simon Jones, of Batcombe, Somerset, was charged with theft yesterday at Trowbridge, Wiltshire. He was released on bail to appear before West Wiltshire magistrates on April 14.

Mr Jones was arrested in December last year.

Lautro to impose heavier fines

By Alison Smith

Lautro, the self-regulating body for the life insurance industry, is to issue a warning that members who fail the present second round of inspection visits can expect heavier penalties.

This tough line will be set out in a statement expected in the second half of next month.

The second round of periodic visits to member firms has begun and the fines imposed on those who do not meet the regulator's standards are likely to emerge within the next couple of months. Lautro has imposed a series of fines within the last few weeks.

Early in January Lautro fined Life Association of Scotland £145,000 - a near-record amount - for failing to screen and supervise its sales force properly. Among other faults, the company ignored the warnings of its own compliance officer about the behaviour of some sales agents. The following week Crown Life was fined £130,000 for failing to control its internal affairs responsibly and for employing a sales agent who had been convicted of illegal deposit-taking - an activity Crown Life allowed him to continue.

On Thursday Laurentian Life, the life and pensions company, was fined £70,000 for breaches of Lautro rules over a four-year period to July 1992. These offences included selling investors policies they could not afford, and failing to record investors' existing policies. There were also 71 cases where there was not enough information on the "fact find" forms to show whether proper advice had been given.

Lautro's decision to take a tougher stance was first signalled last November in a statement by Mr Barry Sherlock, its chairman.

He said that the one-in-six failure rate in the first round of visits was unacceptable. "Those failing at the second round must expect disciplinary action and are likely to face tougher penalties," he added.

Next month's statement is also expected to set Lautro's approach to fining in context. The regulator believes that bad publicity for firms can be as much of a penalty and deterrent as the fines.

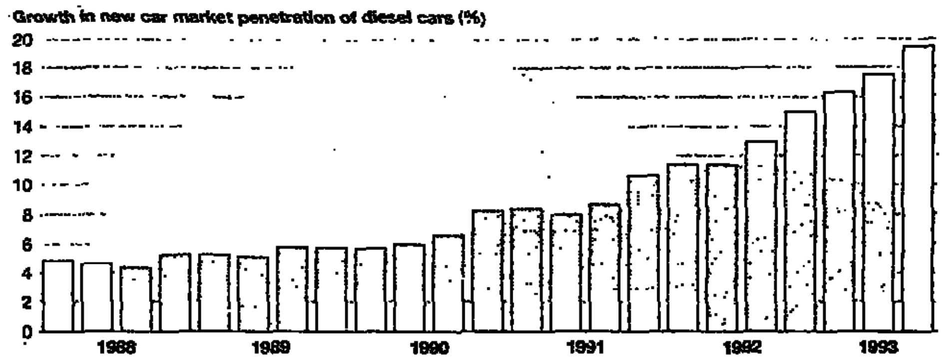
Sales surge could be halted by government report on air pollution

Car industry fears diesel crisis

By John Griffiths

Switching to diesel: not such a clean option

Growth in new car market penetration of diesel cars (%)



Emissions of regulated pollutants from modern cars

Car type	Average emissions (gram/km) Carbon monoxide	Hydrocarbons	Nitrogen oxides	Carbon particles
Standard (petrol without catalytic converter)	27.0	2.8	1.7	none
Petrol with catalytic converter	2.0	0.2	0.4	none
Diesel	0.9	0.3	0.8	0.4

Source: Society of Motor Manufacturers and Traders/ Quality of Urban Air Review Group/ DoE

The scale of the surge in diesel-vehicle sales in the UK new-car market has caught the motor industry by surprise.

It rose from less than 10,000 a year at the start of the 1980s to about 120,000 in 1988 – 6 per cent of the market. Last year the total was 340,472, a fifth of the market. The surge has continued this month.

An angry industry was last night wondering whether the boom will be slowed or even halted by the publication of the Department of the Environment's Quality of Urban Air Review Group study.

The report warned that a bigger diesel-car population could lead to a worsening of emissions of nitrogen oxides (nox) and particles containing carcinogens – claims rejected by the industry. A similar report in Germany in the late 1980s brought diesel car growth to a halt, although it is now recovering.

While the industry claims that it has no reason to favour either form of vehicle, it fears confusion among motorists about the merits or hazards of diesel cars may lead to deferred purchasing decisions, slowing the new-car market's recovery from recession.

Diesels have been the single-biggest growth sector as motorists have been attracted by the 25 per cent to 30 per cent better fuel economy compared with petrol equivalents. This is particularly so now that purchase-price premiums demanded for diesels are reducing sharply.

Growth has also been encouraged by a widespread perception that diesels are more environmentally friendly than petrol engines, partly because they produce substantially less carbon dioxide than petrol cars, thus helping to combat global warming.

The Society of Motor Manufacturers and Traders, the Retail Motor Industry Federation and leading component makers all argue that the report – which they complain was compiled without consulting industry sources – ignored several factors. These include developments in engine technology, specific advantages of diesel engines during short, urban journeys, and the greater consistency of diesel emissions over the life of a vehicle compared with the breakdown in efficiency of petrol engines.

According to Mr John Mardell, chief engineer at Lucas Diesel Systems, although nox emissions initially are higher than with a petrol car, the emissions even from a catalyst-equipped petrol car worsen steadily over the vehicle's life so that the total balances out. On short journeys, pollutant emissions from a petrol car can be 16 times higher than with a diesel, Mr Mardell says.

Mr Ernie Thompson, SMMT chief executive, says that 85 per cent of vehicle pollution is attributable to elderly or poorly maintained vehicles.

Diesel Vehicle Emissions and Urban Air Quality. University of Birmingham, Institute of Public and Environmental Health, Edgbaston, Birmingham, B15 2TT

Major hears attack on one-stop advice centres

By Ian Hamilton Fazey, Northern Correspondent

The president of Leeds Chamber of Commerce last night used a dinner attended by Mr John Major to attack the government's "ill thought-out" proposals on services to industry and commerce. He said these were putting his chamber's future at risk.

Mr David Richardson said: "Commerce and industry are being burdened with new schemes and initiatives dreamed up by civil servants and politicians when they take on a new post – and which often get forgotten once they move on to pastures new."

Mr David Richardson, a partner in the surveying firm of Weatherall, Green & Smith, was speaking at the chamber's annual dinner where Mr Major was guest of honour. He attacked proposals for "Business Links" – the one-stop shops offering advice and support to industry.

"We are caught in the middle of a confused struggle between government departments to provide an ill thought-out scheme which few people are certain is really needed," he said.

"This chamber has been representing its members for more than 200 years and I have no intention of being caught up in a scheme which puts our financial future at risk, particularly since it could end up on the scrap heap if the Treasury turns off the financial tap. We will work with the government, but not at any price."

Business Links are promoted by the Department of Trade and Industry as centralised providers of support services. Previously this role has been partly fulfilled by chambers.

A year ago Leeds chamber was asked by the government to jointly bid with Leeds City Council and the local training and enterprise council to run a one-stop shop, offering services in competition with itself.

Mr Richardson appealed to Mr Major to end the confusion and concentrate responsibility in one department, the DTI.

Export boost narrows non-EU trade deficit

By Philip Coggan, Economics Correspondent

Non-EU trade beats expectations

Balance of payments basis, seasonally adjusted (£m)

	Exports	Imports	Balance	Ex oil and erratics* Exports	Imports	Balance
1992	46,682	56,431	-9,749	40,624	48,097	-7,473
1993	57,232	66,771	-9,539	49,815	57,432	-7,617
1993 Q1	13,600	16,730	-3,130	11,749	14,018	-2,269
Q2	14,141	16,297	-2,156	12,036	14,025	-1,989
Q3	14,526	16,953	-2,427	12,604	14,451	-1,847
Q4	14,965	16,791	-1,826	13,426	14,938	-1,512
July	4,828	5,582	-754	4,176	4,840	-664
August	4,884	5,620	-736	4,209	4,735	-526
September	4,814	5,751	-937	4,219	4,876	-657
October	5,174	5,552	-378	4,610	4,983	-373
November	4,781	5,554	-773	4,280	4,969	-689
December	5,010	5,685	-675	4,536	4,986	-450

*Defined as ships, aircraft, precious stones and silver. Source: CSO

Rising exports helped the UK narrow its visible trade deficit with countries outside the European Union in December. The seasonally adjusted deficit of £675m, compared with £773m in November, was slightly better than analysts' expectations.

Exports to non-EU countries were £5.01bn in December, up from £4.78bn in November, while imports were £5.69bn (£5.55bn), according to figures published by the Central Statistical Office yesterday.

The total deficit for non-EU visible trade last year was £9.54bn, compared with £9.75bn in 1992. If oil and erratic items such as precious stones are excluded, December's deficit was £450m, down from £689m in November. The annual deficit excluding oil and erratics rose slightly to £7.62bn, compared with £7.47bn in 1992.

Mr Kevin Gardiner, UK economist at Morgan Stanley, yesterday pointed out that the value figures for UK exports continue to grow at a faster rate than the volume statistics, indicating that UK companies have taken the opportunity of a lower pound to improve their margins.

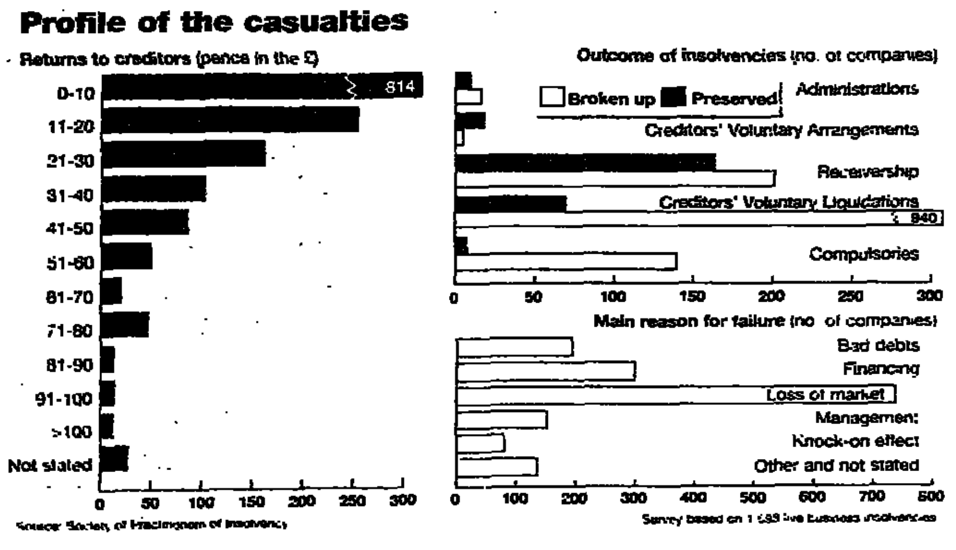
In volume terms exports (excluding oil and erratics) were 12 per cent higher in the last three months of 1993 than they were in the fourth quarter of 1992 while imports were 10 per cent ahead. In value terms, non-oil and erratic exports were 27 per cent higher in the fourth quarter of last year than in the same period in 1992 and imports were 12 per cent higher. The figures back up the export confidence displayed in the Confederation of British Industry's quarterly survey of industrial trends, published earlier this week.

In the three months to December, exports of finished manufactures were 28 per cent higher, in value terms, than in the fourth quarter of 1992.

Insolvency blueprint under fire

By Andrew Jack

Profile of the casualties



Government proposals for restructuring insolvency law appear to have little chance of rescuing many more businesses, it emerged yesterday.

A survey conducted by the Society of Practitioners of Insolvency, the leading industry body, suggests that the recession explains a high proportion of company failures – so proposals to defer creditors launching insolvency proceedings would have little chance of improving survival rates.

The Department of Trade and Industry issued a consultation document last November calling for radical changes to insolvency law, including granting companies a one-month "stay of execution" from creditors.

Yet analysis of 1,593 companies that failed in the first half of last year shows that insolvency practitioners believe recessionary factors are the main cause of collapse.

Mr Mark Homan, head of insolvency at accountants Price Waterhouse and president of the society, stressed that the profession had not yet submitted its response to the government's proposals and that the survey only provided limited information.

However, Mr Homan added: "You can't legislate against insolvency. The way to cut down on company failures is to have a stable economic environment."

Practitioners ranked loss of markets as the main reason for company failure in 47 per cent of cases, and as an important contributory factor for 63 per cent of business insolvencies.

They believed that a negotiated compromise achieved with a stay of action by creditors would have provided a realistic prospect of survival in just 3 per cent of cases.

Company insolvency in the UK. Society of Practitioners of Insolvency, 18-19 Long Lane, London EC1A 9HE. £50.

FINANCIAL TIMES

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Saturday January 29 1994

Man bites watchdog

When a securities watchdog declares that the regulatory system is operating pretty well and requires no substantial remedial treatment, it comes as something of a surprise. When the regulator in question is the US Securities and Exchange Commission, a watchdog whose genetic make-up carries more than a hint of the bloodhound about it, the response is more one of shock. It is, in the argot of the Fourth Estate, a cross between a non-story and a man-bites-dog story. Expectations have been confounded by the SEC's Market 2000 Report, which was finally published on Thursday after a year and a half's gestation.

With US equities reaching levels that prompt discussion of bubbles *and crashes both on* Wall Street and elsewhere, market hubris might appear to have infected the SEC's Division of Market Regulation. Just as the 1987 Crash spawned serious worries about the impact of derivatives trading on equity prices, a Crash of '94 or '95 would surely reveal some other cause for regulatory concern. That, after all, is the history of financial regulation: deregulation followed by reregulation, in a perpetual rhythm that follows the *ebb and flow of the market tide.*

Before writing off the report as a gigantic hostage to stock market fortune, however, it is worth putting scepticism to one side and asking whether there might not be a case for insouciance. The most hard-headed argument could be that in an increasingly global market the fall-out from a collapse on Wall Street would be felt more severely everywhere else. Less enthusiastic watchdogs in less developed markets could well be at greater risk than the SEC. This is because the old adage about America sneezing and the rest of the world catching a cold applies with unprecedented force to today's markets.

Emerging markets

The striking feature of the present economic cycle is that the capital markets have hijacked the normal functions of the banking system. The penalty for holding cash in the US, where short-term interest rates are at their lowest for 30 years, is such that savers have rushed into mutual funds and other forms of investment which, unlike bank deposits, involve market risk. As Wall Street has looked increasingly expensive to fund managers, they have diversified into foreign markets. And the benefits of such diversification are particularly marked in emerging markets, where corporate performance operates much more independently of the US cycle than in the OECD area.

Looked at from an American perspective, the investment in emerging markets is small in relation to the total institutional portfolio. *The outflow is much less* worrying than in the case of banking flows to the Third World in the 1970s and early 1980s, because mutual funds and pension funds do not operate on a slender base of capital; they are ungeared institutions, and any loss from falling markets falls not on the institution *itself* but on individuals and, in the case of defined benefit pension schemes after a long time lag, on companies. And whereas the Third World banking flows were as much a response to regulatory restrictions at home as to carefully assessed opportunities abroad, the present equity flows are based on more straightforward judgments about risk and relative return.

Healthy correction

A US securities watchdog could thus take the view that, if a rise in US interest rates causes some repatriation of funds as stock markets fall, this will be no more than a healthy correction at home, even if it causes an earthquake in several Asian and Latin American *economies.* The position would be analogous to the Japanese banks' stampede into property markets in the US, Britain and Australia, at the peak of the real estate bubble in the late 1980s. The banking authorities in the English-speaking world took a complacent view because the fall-out from the more imprudent Japanese lending would do most damage to the capital base of the Japanese banking system.

That said, globalisation poses new problems for securities regulators, just as it does for monetary policy. If the specific, albeit minor, rule changes in the Market 2000 report nonetheless appear onerous to investment institutions and companies, they will go offshore. The history of the Euromarkets is all about the impact of different relative levels of regulation on the location of financial activity. Capital gravitates naturally to those financial centres where the fiscal and regulatory hurdles are easiest to overcome.

The other snag for today's securities watchdogs is that values in the political market place are very different from those in financial markets. It may matter little in economic terms if US private investors come unstuck in junk bonds in Latin America. But if enough people are hurt it could become politically sensitive and rebound on the SEC. The learning curve in cross-border investment is long and arduous, as some of the world's most sophisticated banks have recently found to their cost. Market 2000 still looks a mite too complacent.

Charles Batchelor and **Emma Tucker** on the response to the Channel rail link route

Fury over French connection

You have to travel at least 50 miles north-west from Folkestone along the route of the planned high-speed rail link from the Channel tunnel to London before you meet people who are enthusiastic about the project.

At Stratford, in east London – not far from the link's final destination at *St Pancras station* – a young woman at a jobs agency is thrilled that the trains will stop just minutes from where she works.

"There will be a new shopping centre, new street furniture and green spaces – I think it will be the best thing that has happened to Stratford for a long time," she says.

In contrast to this flash of enthusiasm a trail of anger, confusion and tragedy on small scale runs through the Kent countryside.

For six years residents have been in limbo, not knowing when the link will be built, where it will be built and whether they will qualify for compensation.

If anyone knows the meaning of planning blight it is Stuart Smith. Two-and-a-half years after moving from a house in Lenham Heath *which was threatened by the original* route of the link, he now faces the prospect of a second move.

Revised proposals for the rail route, unveiled earlier this week by John MacGregor, the transport secretary, could bring trains within yards of The Mount, a £300,000 oak timber-framed farmhouse in the hamlet of Ram Lane near Ashford to which Mr Smith and his family moved in 1991.

"We got a sensible price from British Rail for our last house but *there was no allowance made for* the upset it caused," he says. "We had lived in that house for 22 years and you can't compensate for that."

Mr Smith is just one of thousands of home-owners who live near the 68-mile railway line, which is intended to speed sleek express trains at up to 140mph through the Garden of England. If the government can persuade private companies to invest at least half the £2.6bn cost of the project, Eurostar trains should be slicing through the Kent countryside by 2002.

But before work starts on the line, Union Railways, the British Rail subsidiary working on the early stages of the project, hopes to have resolved the problems caused by years of planning blight. If the scale of resident's protests is maintained, Union Railways' negotiators are in for a tough time.

While David and Ivy Hilliger, at Westnell Lane, are relieved that the new route will no longer run 30 yards from their back garden, they are not celebrating. "I don't think Union Railway realises just how much it is affecting people's lives mentally. People in the village want to retire, but don't know whether they will qualify for compensation."

Ashley Ashwood and Colin Beere

Blight: the line will no longer run *a few yards from the home of David and Ivy Hilliger (above left), but a tunnel* will pass under David and Pat Henderson's house (left), and Stuart Smith (right) could move again to avoid the link

Mr MacGregor claimed that only 40 homes would be in the direct line *of the route. But this small number* is only arrived at because of the narrowness of the corridor which the government intends to "safeguard" – that is, formally declare as the line of the route, a move which triggers the right to statutory compensation.

A final decision on the corridor *has yet to be taken by the govern*ment, but Union Railways says it is unlikely to be much wider than the 36 metres between the fences required to protect a twin railway track. This is in marked contrast to the 240-metre wide corridor declared by BR on its first route, abandoned in 1991, which would have run through south London into Waterloo.

BR spent £140m buying homes along this corridor, acquiring prac*tically the whole of the village of* South Darenth and large swathes of Peckham. It has since been selling these properties off at a large loss. Union Railways says it has chosen a narrower corridor to keep costs down and reduce the area of blight.

"BR got its fingers burned last time but now Union Railways is *being far too cautious,"* says a Kent County Council official. In a recent study of the rail link project, the council called for a more generous compensation scheme for home-owners outside the 36-metre corridor.

One problem facing residents is that there is no agreement on standards which should be applied to the disturbance that would be created by a fast railway line. The government and the local authorities *involved are still discussing noise* and vibration criteria.

Kent County Council complains the present limits under which compensation is awarded are based on surveys of road noise carried out 20 years ago. Motorways create a background hum but fast trains cause a sudden rush of sound, it says.

But such technical details are of little concern to Pat and David Henderson. Their three-bedroom semi-detached home on an estate at Pepper Hill near Gravesend will be just 24 feet above a planned tunnel. Pepper Hill and Ashford are the only two parts of the route which may be changed.

The Hendersons were hoping to sell up, buy a smaller house and put some money in the bank. But they have seen their home plummet in value from nearly £100,000 to £60,000 in a few years. "Estate agents say they won't even put us on their books," says Mrs Henderson.

Despite the uncertainties surrounding compensation, Union Railways says it is prepared to be more flexible than the law provides for. In theory, it cannot purchase properties compulsorily before the passage of the rail link bill through parliament, expected to take at least two years. But it says it will offer compensation as soon as an order safeguarding the route is published in the next few weeks. Compensation legislation allows it to offer market value plus up to 10 per cent.

Home-owners in the direct line of the route will automatically be eligible for compensation but people living near but not on the line will have to apply to Union Railways. Estate agents will be asked to value properties. Only those "very close" to the rail are likely to be bought while double glazing may be available for those living further away.

Double glazing would not assuage the fears of Arthur Reeves, who runs a used car business next door to the Garden of England Mobile Home Park outside Harrietsham. Its pretty setting – old army ambulances and rusty Rolls Royces stand between the trees surrounding the house – is ruined by the drone of the M20 motorway which runs in front of the house. The Channel link, according to the latest plans, will run on his side of the motorway, compounding an already seri*ous noise problem.*

"They say that when the link is complete, there will be trains running every 10 minutes," says Mr Reeves.

Union Railways insists that local residents' fears are exaggerated and that modern railways are built to such high standards that they will not create the noise and vibration many expect. But even if this turns out to be the case, the insecurity is causing unhappiness in Kent.

"There has been a lot of illness, and a lot of mental strain," says Mrs Margaret Bottle, of Harrietsham, pointing out houses purchased by BR and now standing empty. "It has been hanging over us for so long, and we can't get any sense out of Union Railway. They will not give us any straight answers. We won't know what any of this means to us, until the first train makes its first trip."

Signals show delays ahead

Mr John MacGregor, the transport secretary, is not a man in a hurry, writes Kevin Brown. British Rail may gaze enviously across the Channel at the high-speed line on which its French counterpart will run 180mph trains when the Channel tunnel opens in May. But there is no Gallic *élan* about Mr MacGregor. Like a little-used Scottish branch line, he meanders slowly towards his destination, certain he will get there but unsure when or how.

Announcing his "final" decision on the high-speed line in the House of Commons, Mr MacGregor was given a relatively friendly reception by Kent's Conservative MPs. Bitter opposition was confined to Labour MPs from Essex and east London constituencies crossed by the line. But Mr MacGregor knows that almost every MP affected by the line will seek changes, some costing tens of millions of pounds. Worse, it will be time-consuming.

Mr MacGregor says he wants to have fast trains running at full speed on the line around the turn of the century. Unfortunately for the government, Parliament has developed a special means of debating such legislation: the hybrid bill procedure. It is potentially a nightmare for Mr MacGregor.

The main difference between a hybrid bill and a normal bill is the insertion of a second committee stage – the stage at which bills are considered line by line – by a select committee of MPs. A hybrid bill select committee has a quasi-judicial function. It takes evidence from supporters of the project and objectors, sets its own timetable, and is protected from party political pressures by the rules of the Commons. An objection, known as a petition, can be filed for £2; all petitions must be considered, although similar ones can be grouped. When the bill emerges from the Commons, the whole procedure is repeated in the Lords.

The government hopes the bill will take about two years to pass through Parliament. But critics of the project think the tactical opportunities presented by the procedure mean it can be dragged out to at least three years. The Cardiff Bay Barrage Bill, they recall, took six.

Mr Chris Smith, Labour's environment spokesman, says the opposition will not formally oppose the bill. But it will support petitioners such as Mr Andrew MacKinlay, *Labour MP for* Thurrock, *who* wants a 1½ mile tunnel to protect householders in his Thames-side constituency. "The skill is going to be in getting a large number of people to spend £2 to petition against the bill. I don't think we are going to have difficulty at all in doing that," he says. "John Mac*Gregor says he can get this up and* running by the end of the century... He is not going to get anywhere near that timetable unless he comes to his senses."

The sentiment, if not the lan*guage, is shared by some Conserva*tive MPs. Mr Andrew Rowe, Tory MP for mid-Kent, also wants a tunnel, to protect the pretty Boxley valley between Maidstone and the Medway towns. Mr Rowe says he is anxious not to delay the bill unduly. But he adds: "Delaying the bill is the only weapon we have, *and if that is what we have to do* then so be it... It should be possible to do a deal on the basis that if they are a bit less bloody-minded on what we want, we will be a bit less bloody-minded about the bill."

It is a view held privately by many of Mr MacGregor's nominal supporters. But finding a way *through the maze of objections* without seriously inflating the cost of the line will be a Herculean task. Mr MacGregor looks more like Sisyphus, condemned forever to push an uphill burden.

MAN IN THE NEWS: ***Christopher Meyer***

Cut and blow-dry is not enough

John Major's new press secretary has a tough task to revamp his master's image, says **Philip Stephens**

Mr Christopher Meyer has walked into the most difficult job in Whitehall. This week the 49-year-old official swapped the careful diplomacy of the Foreign Office for the post of press secretary in No 10 Downing Street. His task: to restore lustre to Mr John Major's government.

You can understand why he might feel daunted. The Conservative party and the government it is supposed to sustain in office are gripped by yet another crisis of confidence. The common thread has been a failure to demonstrate purpose and grip.

From the furore over ministers' *extramarital activities through the* fiasco over the back-to-basics policy to the row over taxes, the government has appeared paralysed in the headlights of a succession of oncoming trucks.

As one minister sighed wearily: "For a government so accident-prone it's extraordinary that we have yet to discover how to mount a decent damage-limitation operation."

It will be Mr Meyer's role to minimise the accidents and clear up the mess when they happen.

> **Meyer sees the job 'as a series of opportunities to score points and to shape the agenda'**

He comes confidently and willingly to the job. A fluent Russian speaker with a French wife and three children, he is every inch the Foreign Office high flyer. Formerly number two in the Washington embassy his next *job is likely to be ambassador in* one of Britain's largest overseas posts, probably Moscow, where he served in the early 1980s.

He likes journalists. He learnt the briefing trade from the abrasive Mr Bernard Ingham who served for a decade as Lady (then Mrs Margaret) Thatcher's press secretary. For five years during the same period, Mr Meyer served Sir Geoffrey Howe, the then foreign secretary, in the same role. The two were a formida*ble double-act on overseas* trips.

Mr Meyer enjoys the combat involved in selling policy to sceptical journalists. He is sufficiently self-assured to believe that more often than not he will come out on top in such encounters.

In preliminary sparring this week with members of that arcane Westminster club, the parliamentary lobby, his demeanour carried a simple message: don't try to push me around.

But the journalists will do just that. Among the myriad of problems facing the prime minister is a near-complete breakdown in relations between No 10 Downing Street and large sections of the press. The conventions which once made for a civilised, if occasionally explosive, relationship with the lobby's hard*nosed political reporters have all* but broken down.

Conservative newspapers such as The Sun and the Daily Mail have made it clear they have all but given up on Mr Major. Other editors echo privately the view that the prime minister is incapable of rebuilding his authority.

In Mr Meyer's twice-daily briefings for two dozen or so lobby correspondents – all his comments are unattributable and thinly disguised in such phrases as "Downing Street said" – he will be at the sharp end of the disenchantment.

Several recent episodes show *what he is up against.* In unguarded moments, Mr Major has been heard describing right-wing cabinet colleagues as "bastards" and back*bench opponents as "barmies".* More recently he was said to have used rather stronger language against his party's right wing. This latest row probably owed more to journalistic hyperbole than to reality. But that is not the point. In different circumstances all such remarks would have gone unreported: a strong prime minister could threaten to slam the door on a newspaper's future access.

But Mr Major's position is any*thing but strong. Journalists do not* fear him. So the self-discipline which would normally hold in check those who earn a living from

mixing with politicians has disappeared.

The prime minister is too nice, too trusting until recently of the journalists he befriended during an uninterrupted rise to prominence during the 1980s. Mr Meyer will be expected to provide a hard edge to his image.

There is another challenge. Mr Meyer's political master eschews ideology. He prefers, instead, political pragmatism and problem-solving. But the lesson of his premiership has been that the government must display a sense of strategic purpose. It has also to learn to replace abrupt U-turns with gentle swerves when the going gets rough.

The press secretary will have to *find words in his briefings to fill the* philosophical vacuum. Governments can prosper without a grand design or big idea, but not without a rhetorical framework for policy.

Mr Meyer faces other constraints. Mr Major's leadership is the focus of the present storm. If the Conservatives suffer disastrous, as opposed to just heavy, losses in this summer's local and European elections, he will find it hard to remain in *office.*

But his party – and his ministerial colleagues – must bear much of the blame. After 15 years in power and two years of civil war, the Conservatives may have reached the stage where they are unwilling or unable to sustain any leader in office.

The party has lost the habit of discipline. It has replaced self-control with a propensity to panic at the slightest excuse. The latest row over the impending tax increases provides a classic example.

Backbench Tory MPs have been behaving this week as if no one had told them that taxes were going up. No matter that it was spelled out in no uncertain terms in two Budgets last year, the second of which they applauded vigorously only two months ago.

As one senior Whitehall official commented with more than an edge of contempt: "The Tories don't appear to understand that when you put taxes up people have to pay more."

The indiscipline has not been confined to the backbenches. Cabinet ministers and some of their more *junior colleagues* have engaged in the sort of public jostling which has fuelled speculation that Mr Major is under threat.

> **He is sufficiently self-assured to believe that he will come out on top in encounters with journalists**

Mr Michael Portillo's decision to raise his *public profile* has given the impression that the youthful chief secretary to the Treasury wants to reinforce his credentials as the favourite of the Tory right.

Friends of friends of Mr Michael Heseltine, the trade secretary, are reminding colleagues that he is now fully fit after his heart attack.

Those who would like to see Mr Douglas Hurd fill No 10 are whispering that *we should not take too* seriously his (genuine) protestations that he sees his stewardship of the Foreign Office as a last job in politics.

The prospective candidacy of aggressively self-confident Mr Kenneth Clarke, the chancellor and clear favourite in any race for the *succession, tends to speak for* itself.

Much of the feverish speculation is simply the product of the Westminster hothouse, of backbench *Tory MPs with too little to do and* no future under the present leadership. But rushing from radio to television studios, cabinet colleagues are not always fulsome in their praise for the prime minister.

In the words of one, rather more circumspect, member of the prime minister's inner circle: "Too many people are setting out their stalls. We need a bit more loyalty and a lot less self-promotion."

Mr Meyer understands the problems. He will attempt to influence policy as well as presentation. In a revealing paper he wrote during a year's sabbatical at Harvard University, he summed up the role of the press secretary as "always to take and hold the initiative in public debate". To do that, he or she had to be at the centre of policy-making.

Friends from his Washington days say that he was both street-wise and carefully attuned to the internal politics of the US Administration. They confirm the impression that he was thinking personally when he stressed in the same paper that press secretaries should "see the job not as an exercise in defensive play and damage-limitation (though these are often needed) but as a series of daily *opportunities to score points and to* shape the agenda".

No one doubts that he will be good at doing just that. What Mr Meyer cannot be sure of is whether it will be enough. From his office in Downing Street, he has no standing in or influence on the dark manoeuvrings of the Tory party. He is a civil servant, pledged to keep out of politics. But it is the process of politics – and specifically the slow disintegration of the Conservative party – *with which Mr Major* cannot get to grips.

Perhaps no leader could. There are many in the party's senior ranks who believe that the Tories will not solve their own or the country's problems by getting rid of the present leader. Mr Meyer must help ensure that view prevails.

Punishment and prevention

Will President Clinton be able to do anything to combat crime in the US, asks George Graham

On Wednesday a teenager stood in front of Eliot Junior High School, north-east Washington, and fired eight shots at a student who had failed to return a borrowed coat. Mr Franklin Smith, superintendent of Washington DC schools, was not surprised. Teenagers, he said, "will shoot each other about anything, about stepping on a toe".

Such episodes help explain why President Bill Clinton put a crack-down on crime at the top of his list of priorities in this week's State of the Union address. He echoed governors of every political stripe, from Democrat Mr Mario Cuomo in New York to Republican Mr Pete Wilson in California, in lamenting a fear of violent crime that is "crippling our society, limiting personal freedom and fraying the ties that bind us".

Opinion polls show the number of people citing crime and violence as the most serious issue facing the US has risen over the past year from about 2 per cent to 20 per cent or more, displacing the economy and unemployment as the most pressing concern.

Anxiety about mounting violence may rest more on perception than on reality, however. Justice Department surveys indicate that the number of people who have been victims of violent crime in any given year has stayed flat for the last two decades at between 29 and 34 per 1,000.

Nevertheless, the level of violent attacks on specific groups, such as teenagers and black Americans, has risen sharply in recent years. And overall rates of violent crime, although static, are exceptionally high in comparison with most other developed countries: the US homicide rate is seven times that of Canada, 20 times Germany's.

Levels of fear are heightened by incidents cited by Mr Clinton in his speech: the abduction and subsequent murder of 12-year-old Polly Klaas from her bedroom in northern California; the racially motivated outburst that left six people dead and 17 injured on a Long Island commuter train; the attempted murder of a black tourist in Florida by three whites who poured petrol over him and set him on fire. Perhaps most frightening are the shootings by ever younger and more heavily armed gang members in inner cities. Such attacks create a feeling that violence has spilled over to invade traditional sanctuaries such as the family home or school.

It feels, as Professor Lawrence Friedman of Stanford University puts it in his recent book *Crime and Punishment in American History*, "like some tremendous boxing match where the boxers, instead of pounding each other inside the ring, suddenly jump through the ropes and begin mauling and maiming the screaming audience".

Crime is not a new issue in the political arena, but significant government action has for years been immobilised by a polarisation between advocates of repression and prevention; between those who want to build more prisons and inflict tougher sentences and those who want to tackle crime's roots with drug treatment and rehabilitation and inner-city job schemes.

"The left wants prevention and no punishment. The right wants punishment and no prevention," said Democrat Congressman Charles Schumer, chairman of the House of Representatives subcommittee on crime.

Efforts to extend controls on guns have also – at least until recently – been immobilised. But in this area, for reasons rooted in the US's history, constitution and political traditions, opposition to tougher measures has come from the right. The left has found calls for gun control a demonstration of its seriousness about tackling crime.

What is new in Mr Clinton's approach, at least for Washington, is the willingness to take all three medicines – prevention, repression and gun control – at once.

In his address on Tuesday he endorsed not only the "three strikes and you're out" initiative – a measure, backed by the Senate but not the House of Representatives, to require a mandatory life sentence for a third violent offence – but also community policing, an expanded police force, army-style "boot camps" for young offenders, a ban on assault weapons and more money for drug treatment, as well as job training and urban development measures.

As is traditional, Congress is also likely to extend the death penalty to 20 or 30 more offences. It will be a futile gesture, since violent crime and its punishment are overwhelmingly dealt with by the states, not the federal government: the last extension included esoteric federal crimes such as murdering a federal egg inspector.

It will not be easy to maintain a coalition to pass all these measures in Congress. The Senate has already passed a ban on assault weapons, but resistance from the gun lobby to this measure will remain strong.

At the same time, many of the more leftwing members of the House – especially some leading black representatives, whose experience in the 1960s civil rights protests and since has given them reason to distrust the police – are hostile to what they see as egregious encroachments on civil liberties passed by the Senate, including stiffer penalties for gang members, looser standards of evidence, and draconian restrictions on parole.

But while the marriage of repression and prevention in President Clinton's proposals may feel unnatural to many national politicians, it has already taken place in public opinion and among local law enforcement officers. Gun owners now say increasingly that they want more gun controls, and local officials insist on the importance of urban development in the battle against crime.

"In our view, lasting solutions lie in Washington's willingness to view affordable housing as a weapon to fight crime, to view childcare, job training, recreation programmes, community development and transportation to jobs as weapons to fight crime," a group of mayors and police chiefs wrote in a letter to Mr Clinton last month.

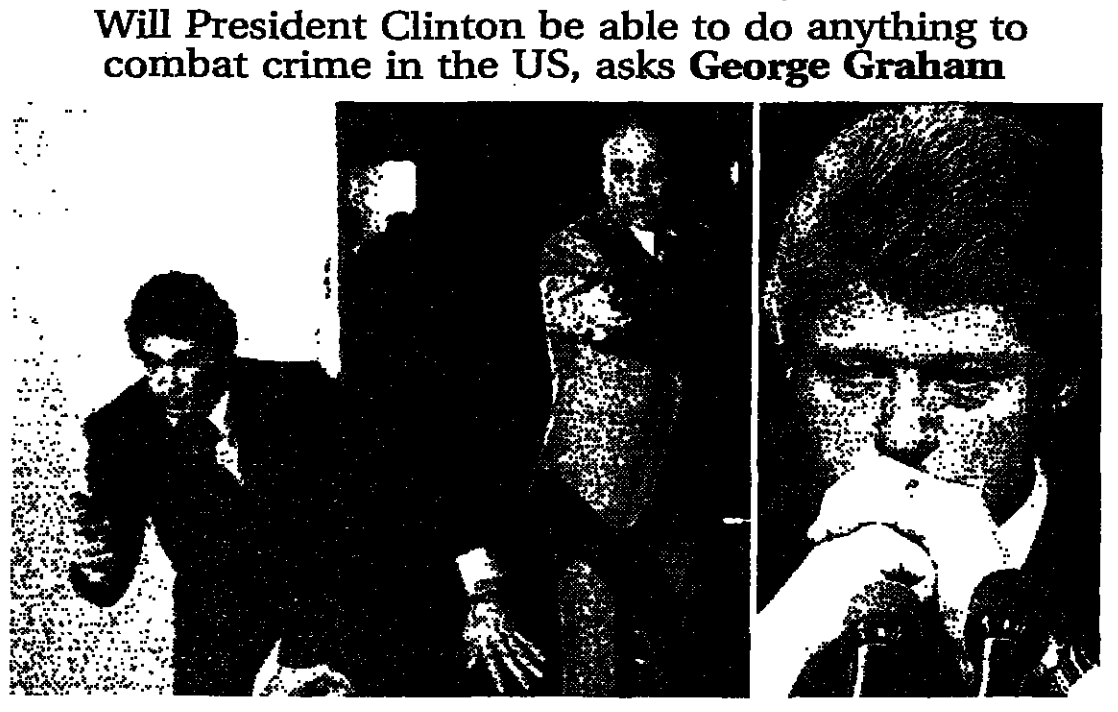
Severe doubts must remain, however, about the capacity of any measures taken by Washington to curb more than marginally the violence that plagues the US – not the least because criminal justice falls very much under local jurisdiction.

By most standards the US criminal justice system is already tough. If putting more people in prison kept criminals out of circulation, then crime should have plummeted, for the prison population has climbed from 196,429 at the end of 1970 to 789,347 at the end of 1991.

If capital punishment were the ultimate deterrent, the US should be relatively free of violence, for it applies the death penalty in more and more cases – including the execution of juvenile offenders, a practice followed by only five other countries.

Nor is there any magic solution to be found in specific prevention programmes, particularly if they are funded at the austere levels necessitated by the US budget deficit. Many pilot schemes, such as intensive pre-school monitoring of babies at risk from behavioural problems, or handing over government housing to be managed by its residents, have produced good results – but have been less encouraging when turned into nationwide schemes.

Mr Clinton's greatest strength in tackling crime is his willingness to address the problem in the context of "a stunning and simultaneous breakdown of community, family and work". While there are no concrete or swift solutions to be found in a moral crusade, Mr Clinton may be able to provide leadership in this area. That in itself cannot be turned into programmes to fit into a crime bill; as long as voters remain frightened of violence, Washington will continue the search for measures that can.

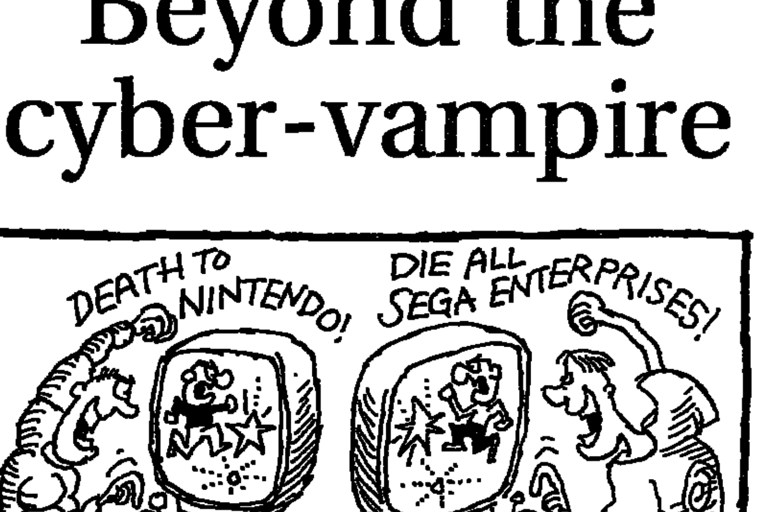


John Kobal

More Kojaks on the street: Clinton (right) endorses an expanded police force, as well as a ban on assault weapons

Louise Kehoe and **Michael Skapinker** on challenges for video games makers

Beyond the cyber-vampire



With the deafening sound of 'finish him' in your ears, Baraka [a demon with blades for hands] decapitates yet another victim. Even more violent than the original ... this game features great enhancements," enthuses Gamepro magazine's review of Mortal Kombat II, the sequel to last year's "top-grossing" video game hit.

Digital murder and mayhem may not appeal to everyone, but it is just what the young males aged eight to 18 who buy 75 per cent of all video games want. A glance at the US top 10 games proves the point: Mortal Kombat, Street Fighter II, Streets of Rage 2, Tournament Fighters ... Played with hand-held controllers, two players to a machine that plugs into the TV set, these are the games that absorb countless hours of youngsters' time.

The video game industry has grown fat on screen battles. Last year, worldwide sales of home video game machines and game cartridges topped \$15bn (£10bn), up from about \$14bn in 1992. Yet there are signs that after a decade of rapid growth, the video game craze may be slowing down.

Nintendo of Japan, which along with rival Sega Enterprises dominates the field, is projecting an 11 per cent decline in worldwide sales for its fiscal year ending March 31 to Y500bn (£3bn). In the US, its largest market, the company expects sales to remain flat for the year at \$4.3bn.

Suddenly, the world seems to be ganging up on video game makers. The UK Monopolies and Mergers Commission has launched an investigation of industry pricing policies; US lawmakers are proposing bills that would censor video game violence; competitors with more advanced technology are crowding into the market; and others, offering new forms of home entertainment such as interactive television, threaten to encroach on their turf.

A slowing rate of growth in the video games market is inevitable, says Mr Robert Devereux, chairman of Virgin Interactive Entertainment (VIE); the high growth rates of previous years were unsustainable.

To remain winners in this increasingly hostile environment, video game makers must learn some new moves. Like the characters in their own products, they face the possibility of extinction or the opportunity to jump to a new level of game playing.

Mr Devereux, whose company is part of Mr Richard Branson's Virgin group, argues that technological change – primarily the move from cartridge-based games to compact disc read-only memory (CD-Rom) – will provide the opportunity to draw new consumers into the market. CD-Roms, like audio compact discs, can play music. However, they can also be used to store video games or computer programs, or all of the above. Sales of multimedia personal computers equipped with CD-Roms are booming in the US, with sales expected to total 20m to 25m units over the next three years.

The multimedia PC represents new opportunities for video game software developers which transfer their games to the CD-Rom format. With higher data storage capacity, CD-Roms give writers more freedom to develop games based on more detailed stories, incorporating live-action video. Sim City 2000, for example, challenges players to build and manage a city of the future. As the city ruler, the game player must build schools, pass laws and deal with emergencies. "Challenge scenarios" include firestorms, earthquakes and tornados.

Several have begun labelling their games with a rating system akin to that used in the film industry

Such games, with intricate plots and developed story lines, may be the key to the long elusive female video game buyer, some industry executives believe. However, if video game publishers are to expand the demographics of their market "they are going to have to tone down their production values. The vertiginous frenzy of most games probably does not appeal to most adults, and the barrage of corny music is downright annoying," says Mr Richard Shaffer, president of Technologic Partners, an industry consulting group.

To placate critics of violence, several developers have begun labelling their games with a rating system akin to that used in the film industry. Most companies will eliminate sequences that could be "X-rated" to ensure that their games are not banned by parents or toy stores, industry observers predict.

CD-based products could, however, provide greater ammunition for critics who claim the games encourage violence, Mr Devereux admits. The pictures on CD-based games will be more vivid; Mr Devereux says this will make it more difficult for children to distinguish between games and reality.

One example is Ground Zero Texas, a CD game soon to be released for the Sega Genesis machine. With scenes reminiscent of Waco, Texas – including a fire that engulfs the encampment – players in the role of government agents are assigned to clean out the aliens. The characters are real actors and actresses, in full-motion video.

In the broader home computing market, video games developers will be competing with bigger fish. Microsoft, the world's largest computer software company, recently expanded its efforts in the consumer field, with programs aimed at home computer users such as Creative Writer, which encourages children to write with help from Maggie and Max, two cartoon characters.

The once distinct markets of video games and personal computers are converging, as prices of the latest CD-equipped video game machines rise and PC prices decline. And although there is still a \$1,000 gap between them, the educational and entertainment values promoted by the PC industry appeal to a greater number of consumers than the raw grit of video games.

Also intensifying competition in the video games market is a new generation of multi-player machines. One of the most promising is 3DO's "interactive multi-player", priced at about \$700. The fledgling Californian company has licensed two of Japan's leading consumer electronics manufacturers, Matsushita and Sanyo, to produce versions of the system that can play music CDs and video games.

Among the 20 or so games so far available for the 3DO multi-player is Mad Dog McCree, based on a western gunslinger story, and Escape from Monster Manor, a shoot-'em-up game. Both feature sophisticated graphics.

Looking further ahead, the ability to send video games – along with music, films and retail catalogues – via cable television services into people's homes, will create a new method of distribution to expand the games market.

And the next step in terms of technology will be "virtual reality games", which give the illusion of personally participating in the action. Players wearing helmets that project images before their eyes – whichever way they turn – might find themselves on a battlefield, driving a spaceship or hacking their way through a jungle.

It will be several years before virtual reality becomes a consumer product, most analysts predict. By then, perhaps the video game industry will have more to offer than Mortal Kombat V or a sequel to Night Trap – a popular game that depicts masked cyber-vampires who attach clamps and drills to the necks of scantily clad young women.

Sex and violence will undoubtedly remain a staple of the video game, as of other popular media. Yet as technology advances create opportunities for increasingly life-like images, the maturing video game industry could move beyond adolescent fantasies and comic-book style scripts – if it can muster the art and imagination to do so.

Sky is distant limit

Barry Riley on 'the best kept secret in personal finance'

Every day of the week between £1m and £1.5m pours into a single unit trust run by Hypo Foreign & Colonial. The success of the new Higher Income Plan in attracting almost £500m in under a year symbolises the new competitive power of the unit trust industry as short-term interest rates have fallen within the space of three and a half years from 15 to 5½ per cent.

Unit trust companies celebrated a new record this week as net investment of £9.1bn was announced for 1993, eclipsing the previous peak of £6.3bn in 1987. Total funds under management, boosted by the strength of stock markets all around the world, rocketed by almost 50 per cent to £95.5bn during the year. A breach of the £100bn level is expected any time.

Yet unit trusts still form a comparatively tiny part of the savings industry in the UK. The industry's trade association Autif admitted this week that probably no more than 1¼m people out of a working population of 25m invest their savings directly in unit trusts.

"We are the best-kept secret in personal finance," said Autif's director general, Mr Philip Warland, promising a 1994 campaign to boost awareness.

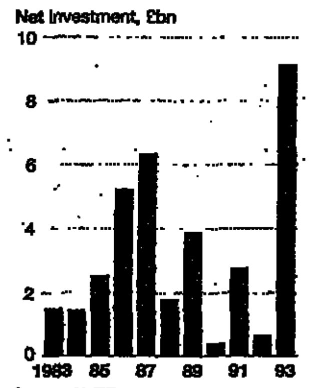
The British unit trust industry can only boggle at the amazing success of its mutual fund counterpart in the US. Net sales of US mutual funds (excluding money market funds) were \$30bn in December 1993 alone. Total assets held by equity and bond funds have reached almost \$1,500bn, and there are mutual fund investors in 28 per cent of all American households.

In the UK the unit trust industry is still struggling to establish its independent identity. It operates under the shadow of the £400bn-plus life assurance industry, which last year absorbed nearly half of unit trust sales into unit-linked life products and other life portfolios.

Only £5bn worth of unit trusts were sold directly to the public last year. Official statistics suggest that no more than £40bn or so in units is directly held by the public.

But the sky is the limit.

Unit trust sales



Source: AUTIF

There are some very good reasons to believe that unit trusts could greatly increase their share of the savings market in the next few years.

- Low short-term interest rates, likely to fall further to five per cent or even less, will cause money to drain out of building society and bank savings accounts. Investors will be looking for more attractive returns, especially from the securities markets.
- Hard-selling life companies are coming under regulatory pressure, and from 1995 will be required to disclose more clearly their relatively high charges and onerous early cash-in penalties. Unit trusts, which have always had a lower and more transparent charging structure, should benefit.
- Unit trusts now qualify for one of the most attractive savings tax shelters, the personal equity plan, which is exempt from taxes on both income and capital gain (and they can also be packaged into personal pension plans). Net sales of unit trust PEPs nearly trebled last year and accounted for a third of overall business. The building societies, in particular, are under great competitive pressure at present.

Until the past year or so Halifax Building Society on its own – with savings deposits of some £50bn – was comparable in size to the entire unit trust industry. But in the second half of last year deposits started to drain out of the building societies. Most of cheques accompanying application forms, unit trust men say, are drawn on building society accounts.

Unit trusts have been slow to develop bond funds, the most direct competitors to building society savings. Such funds, invested in fixed income securities, are the biggest sellers for mutual fund groups in the US. They are the natural first step for savings depositors who want higher income but are unwilling to accept the risks of equity-based funds.

One problem in the UK is that pure bond funds are not "peppable". But the Hypo F & C product has been an ingenious answer. It is a complicated package, consisting of a unit trust containing a balance of equities and company loans, seasoned with derivatives and presented in a PEP wrapper.

It has been widely criticised for being opaque and for being possibly vulnerable to unforeseen market hazards or design faults. But its promise of a near-10 per cent yield has been eagerly welcomed by financial advisers seeking high income for their clients.

More traditional unit trusts investing in risky equities have also been booming. In December, for instance, the most popular sectors were UK smaller companies and the Far East excluding Japan.

This week Autif's Mr Warland was enthusing over charts projecting a huge increase in the unit trusts' share of the savings market by the year 2000. "We must make unit trusts more understandable and accessible to the missing 23¼m savers."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Regional role for BBC

From Mr Philip Reevell.

Sir, The news that the BBC is conducting a feasibility study into situating a national radio network outside London is to be welcomed ("Radio 2 may be moved to Midlands", January 24). However, there is a case for arguing that, on its own, this would not redress the imbalance between metropolitan and non-London BBC operations.

The recent Heritage Committee report on the BBC recommended that regional autonomy should be written into the BBC's charter. Re-potting a national radio network outside London would not meet that requirement. What of the remaining two English regions, and the three national regions? And what of BBC television at a time when ITV's "regional" structure is likely to buckle under the weight of mergers and rationalisation?

BBC policies for regional broadcasting – local journalism, centres of excellence and proportionality – should be part of a broader strategy for regional devolution. This could be given a high-profile public focus if, for instance, BBC2 were to support increased volumes of local programming and significantly higher proportion of networked programmes produced by the BBC centres and independent producers in the regions. To meet the needs of regional audiences and provide substance to the policy of non-London production each of the BBC's regional centres would have to be given significant scheduling and commissioning responsibilities.

The fact that Radio 2 seems to have been singled out for relocation indicates that, although BBC policy-makers are conscious of regional weaknesses, they have yet to grasp the long-term significance of regional autonomy as a unique feature of licence-fee funding for public broadcasting. As the media revolution gathers pace, perhaps the BBC should bear in mind the slogan of another revolution – "no taxation without representation".

Philip Reevell,
head of corporate affairs,
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Liverpool L16 0JP

Commissioners' decision not 'political'

From Mr William Bishop.

Sir, Your leader on the stainless steel tubes case ("Openness on open markets", January 28) attributed Mr Van Miert's "defeat" to "political considerations". At least three of the Commissioners who voted against action had no national or industry connections whatever. Moreover the whole industry is tiny in EU political terms. And why did DGIV "lose" this case on the very day that it "won" on state aid to two far more important and politically influential industries?

The truth is more interesting: the independent Commissioners were not persuaded by the case that Mr Van Miert's officials had assembled against the merger. These officials had been asked to be first prosecutors and then judges. Almost the whole history of western law teaches us that these two functions ought not to be combined. Substantial evidence on international markets, east European competition and structural decline was brushed aside by enforcer-prosecutors who had prejudged the case. Moreover, the draft decision was inconsistent with important previous merger decisions.

All this could be, and was, pointed out to the independent Commissioners. They know that in merger cases an appeal to the courts is too slow to be an effective check and therefore that they, the Commissioners, are the *de facto* court of appeal. They take this responsibility seriously. In the stainless steel tubes case they judged the officials' case against the merger and found it unconvincing.

William Bishop,
Lexecon,
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'Curfew' society will need help

From Ms Alexandra Stacey.

Sir, Re the government's justification for road pricing and higher motor fuel taxes, research might well show that the "social costs" of road use amounted to between £23bn and £26bn in 1991, twice the amount raised in road taxes ("Fading blueprint for a greener world", January 26). But without a corresponding improvement in and subsidy for public transport and alternative travel, does research show what the social costs will be for a locomotively circumscribed "curfew" society?

Alexandra Stacey,
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US not fit enough for recovery

From Mr Edward Guay.

Sir, You are quite right to call for a tightening by the Federal Reserve ("Why the Fed should tighten", January 26). The Federal Reserve has nearly duplicated the degree of excess that occurred during the early Carter years. And similar bottlenecks are developing with respect to food supplies, inadequate energy capacity, and extraordinarily low manufacturing inventory levels. US price levels could not withstand a world recovery.

Edward Guay,
managing director and chief economist,
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Waste not simple problem

From Mr D E Riddle.

Sir, Ms Georgina Watkins-Spies (Letters, January 27) advocates that Europe's legislators force manufacturers to use less packaging, or more of the reusable kind. This really is a very simplistic approach to a very complicated problem, and it is worth quoting a letter from the German Coffee Association to the German environment minister which was included in the House of Lords European Communities Committee report on packaging and packaging waste published on October 19 1993. The letter describes the effects of replacing the composite aluminium and plastic lightweight film packing of roast coffee in Germany by packaging in either tin-plate or glass. The present 11,000 tonnes of film would have to be replaced by 120,000 tonnes of tin-plate, or 470,000 tonnes of glass. The result would be to create more residual waste and require three times as many lorries to transport and collect the materials.

This clearly is not sensible, and indeed in a related point, the 80 per cent of plastics sorted in Germany is described as "sheer madness" by the Duales System Deutschland manager, Wolfram Bruck, also referred to in the House of Lords report.

D E Riddle,
managing director,
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Darwin a natural selection

From K W Mieskis.

Sir, Answering the request from Malcolm Rutherford to nominate the most important figure in history ("The greatest person who ever lived...perhaps", January 15/16), readers of the FT omitted the name of Charles Darwin. His discovery of natural selection was more important for human development than all the discoveries and inventions which took place during the lifetime of the modern world.

K W Mieskis,
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Food retail shares hit by Sainsbury statement

By Neil Buckley

Shares dipped across the food retailing sector yesterday after J Sainsbury, the market leader, revealed a fall in margins and like-for-like sales, expressed caution over its profits and said it was making a £365m property write-down.

The statement took the City by surprise and provided further evidence of a new era in the food retailing industry of slower profits growth and physical expansion amid increasingly fierce price competition.

Sainsbury's revealed an increase of only 4.6 per cent in total sales for the 16 weeks to January 15, and, crucially, a 1 per cent fall in like-for-like sales – which exclude new stores – with no sales inflation.

That was in spite of Sainsbury's "Essential for essentials" campaign, launched in October. That involved cutting the price of 300 own-label goods which, Sainsbury's admitted, knocked 0.4 percentage points off its gross margin.

Its comment contrasted sharply with competitors such as Tesco, Asda, and Gateway, which have all seen increases in like-for-like sales after cutting prices.

Sainsbury's warned its profits would be "adversely affected" and it expected only a small increase over last year – before accounting changes announced yesterday.

Those included a decision to depreciate buildings by 2 per cent a year – following similar moves by Argyll and Tesco – and a revised depreciation policy on fixtures and equipment, resulting in a recurring depreciation charge of £40m.

There will also be a £365m non-recurring write-down on property, after Sainsbury's admitted many of its sites were no longer worth what it paid for them. Tesco made a similar move last week, but chose to depreciate the cost over 25 years.

Sainsbury's had insisted until recently there was no need to revalue its properties, but Mr David Sainsbury, chairman, said it had responded to pressure from the City. "We wanted to clear the decks, to be whiter than white, so that there could be no possible doubt over the quality of our earnings in future," he said.

But Sainsbury's, unlike Tesco, is not cutting back on its expansion programme, and plans to open 20 superstores a year for four years. Beyond that, the pace might slow.

The group also plans to accelerate expansion of its other retail chains, Savacentre, Homebase, and Shaws in the US, which turned in stronger performances than the superstore chain.

Mr Sainsbury said he believed the group could now hold its gross margin – a claim questioned by analysts – because its "essentials" campaign made it cheaper than other superstore chains, and had removed the price advantage of discounters such as Aldi and Netto.

UK hotel advance for Forte

In the second half of its year, which ends on Monday, Forte's UK hotel and restaurant businesses showed some improvement but trading in continental Europe remained difficult, writes Michael Skapinker.

London hotel occupancies were healthy but average rates paid had been lower than Forte previously hoped. However, rates had begun to recover in recent weeks. Provincial hotels in the UK had begun to show some recovery but hotels elsewhere in Europe still faced tough trading.

Volumes in UK roadside restaurants were static but spending per head had grown. The Relais roadside chain in France had been adversely affected by lower traffic volumes, but the company, bought at the end of 1992, was still expected to be earnings enhancing in its first year.

Forte said the maturity of its debt had been further lengthened during the second half of the year and borrowings had been reduced from £1.3bn in July to less than £1.2bn.

Hartstone hosiery sale to Courtaulds Textiles

By Peggy Hollinger

Hartstone yesterday clinched the first step towards securing its future by selling a large part of its hosiery division to Courtaulds Textiles in a £45.4m deal and announcing plans for a rights issue later this year.

It is understood that the company, which breached banking covenants last summer and has since had several narrow escapes from receivership, has also reached agreement in principle for medium term financing.

It is thought this will cover the group's needs for between two to three years. However, any refinancing will depend on an equity issue, which is expected to raise roughly £25m.

An announcement is expected before the extraordinary meeting on February 14, the day before the standstill agreement is due to expire.

Hartstone is selling Cogetex of France, which it bought for £41m in 1991, and the loss-making UK hosiery business based in Sutton-in-Ashfield which includes Bear brand.

The two businesses had total sales last year of £102m and take Courtaulds Textiles for the first time into the European hosiery market.

The deal will eliminate off-balance sheet debt of about £20m and leave Hartstone's gearing at 118 per cent (200 per cent).

It leaves Hartstone with Aznar, the Spanish company also purchased in 1991, some UK hosiery interests and a large leather goods business, mainly US based.

Mr Shaun Dowling, chairman, said the group could only afford to focus on one of the two main divisions if it was to survive. The hosiery division had suffered extensively from recession in continental Europe, which had delayed benefits from rationalisation. However, the leather goods business, which includes the well-known Etienne Aigner brand name, required "half the manpower, half the assets and has twice the profits," Mr Dowling said. Last year leather goods returned trading profits of £12.4m, a decline of 34 per cent.

The remaining hosiery businesses, with sales last year of £86m, will be retained for the time being. Courtaulds Textiles has agreed to retain Aznar as a supplier to Cogetex. Hartstone is expected to review the future of Aznar and the UK hosiery businesses in about two years.

Mr Noel Jarvis, chief executive of Courtaulds Textiles, said the businesses acquired had "considerable potential despite the present tough trading conditions". They were expected to contribute trading profits for the year to March 1994 of between £4m and £5m. They were also likely to result in a small increase in earnings.

Courtaulds Textiles is paying £37.4m cash upon completion, a further £3.5m upon agreement of a completion statement and the balance in stages over a four-year period. It said the purchase price represented a premium over net assets of £8.7m.

Yorkshire Tyne Tees deficit less than feared

By Raymond Snoddy

Yorkshire-Tyne Tees, the ITV company, incurred lower-than-expected losses in the year to September 30 following problems with its advertising sales.

When the deferred results were finally released yesterday the pre-tax deficit turned out to be £7.88m on turnover of £238.8m.

In December, when the company warned of losses, it said they would not exceed £9.5m. But for a £3m property provision taken this time the deficit could have been even lower.

Staff costs were reduced by £8.1m and operating costs were cut by £3.8m. Programmes sales reached a record £71.7m.

Mr Ward Thomas, the recently appointed chairman, said it had been a difficult year "because certain sales policies were pursued which damaged the company both in terms of its reputation and perception."

The final audited advertising sales figure of £150m was £34m less than the forecast given to the board at the start of the year and £20m less than the expection expressed to the board in the closing weeks of the financial year.

As a result of the loss caused by rolled over debts on advertising, Yorkshire-Tyne Tees – in which Pearson, owner of the Financial Times, has a stake – will not be paying a final dividend. That leaves shareholders with 3.3p for the year compared with 12p, which included an 8.7p final.

"We are taking steps to ensure that deal debt is not part of our future trading practice," said Mr Thomas, adding that all previous debt had now been dealt with.

He warned that further stringent economies and a simplification of the management structure were on the way.

Analysts expect the company to return to profit this year and a pre-tax figure of between £7m and £8m is thought possible.

The company is joining other ITV companies in moving its year end to December.

JP Morgan wins tender for lottery

By Raymond Snoddy

JP Morgan, the US merchant bank, has won the competitive tender to provide finance for the UK Lottery Foundation, the lottery organisation set up by Mr Richard Branson and Lord Young, the former cabinet minister.

The Foundation's bid for the national lottery licence will be underwritten by JP Morgan. The sums involved are likely *to be in the £50m to £100m range.*

The UK Lottery Foundation plans to hand over all its profits to "good causes" if it wins the licence. There are at least seven other bidders who argue that they will be able to raise more money for the five nominated causes – the arts, charities, the millenium fund, national heritage and sports.

Final date for bids is February 14 with the winner likely to be announced by May.

Intercare restates accounts

By Andrew Jack

Intercare Group, the manufacturer and supplier of healthcare products, yesterday restated figures in its 1992 accounts following discussions with the Financial Reporting Review Panel, the UK accounts watchdog.

In the 1993 accounts published yesterday, the company amended items in its cash flow statement after agreeing that it had departed from the requirements of FRS 1, the accounting standard which deals with the statement.

In the original version, it incorrectly included as cash items shares issued as consideration for an acquisition, which were not cash flows.

Mr Gary Vicary, finance director, said: "It's irritating. This was basically a small technical *misclassification. It has no impact on the profit* and loss account or the balance sheet and there was full disclosure in the accounts."

The company is audited by Price Waterhouse in Manchester, which did not qualify the 1992 accounts.

The Review Panel highlighted in a statement three errors made by Intercare:

- cash outflow on acquisition of subsidiaries and cash inflow from financing included sums that were not cash because they related to shares issued as consideration for an acquisition
- cash consideration for acquisition of subsidiaries did not include the negative balances of cash and cash equivalents acquired in the subsidiary undertakings
- the figures shown for interest receivable and payable were not on a cash basis, although the *difference was not a material amount.*

Dyson ahead but interim reduced

Despite a sharp fall in interest receivable, J&J Dyson, the Sheffield-based refractories group with interests in trailers and builders' merchanting, lifted first half profits by 18 per cent but cut its interim dividend as margins remained under "the most severe pressure".

Mr Richard Field, chairman, said the pre-tax increase for the six months to end-September – from £340,574 to £401,340 – was spread across all group businesses "but very little of the improvement may be attributed to any general increase in economic activity."

Net interest receivable dropped from £124,708 to £16,963.

Turnover was flat at £20.9m. *The reduced interim distribution of 1.5p (2p) is payable from* earnings of 2.03p (1.65p) per share.

Severn Trent £11m Belgian acquisition

By Peggy Hollinger

Severn Trent, the privatised utility, yesterday announced the expansion of its Biffa waste management operation with an £11.1m acquisition in Belgium.

The company is to buy Cotrans Group, a collector of domestic and industrial waste, with sales of BFr600m (£11.1m). The deal will make Biffa one of the leading waste *services groups in Belgium* and increase its sales there by more than 50 per cent.

Mr Stephen Pain, of Severn Trent, said Cotrans would fit well with Biffa's existing operation in the region. The Belgian company would benefit from Biffa's landfill site and the waste pre-treatment centre under construction near Antwerp. *The acquisition also* reinforced Severn Trent's commitment to the waste services sector, he said.

UAP in UK bid talks

By Alice Rawsthorne in Paris and Richard Lapper in London

Union des Assurances de Paris, France's biggest insurance company which has for some time hoped to expand into the UK non-life insurance market, yesterday confirmed that it was in negotiations with a possible acquisition target. It refused, however, to comment on the company's identity.

"We have made contact with a UK company but it would be premature to say more on the matter as our discussions are still at a preliminary stage," the company said. UAP hoped to conclude a UK deal before the end of 1994 but it was "unlikely" that the negotiations would be finalised "for the next few months".

"I think it's going to be one of the smaller unquoted vehicles ... a big quoted company would be very difficult to digest," said Mr Trevor May, an analyst with BZW.

Mr Philip Hoyle, of Provincial Insurance, the UK's largest privately-owned company and a rumoured UAP target, said yesterday that his company is "not in discussions with UAP".

SelecTV rises to £0.6m

SelecTV, the USM-quoted independent television production company with successes such as Birds of a Feather, Lovejoy and Love Hurts, yesterday announced a jump in *pre-tax profits from £278,000 to* £614,000 for the half year to September 30.

Increased production activities helped turnover rise from £6.4m to £13.7m. Directors warned, however, that the first half performance would not continue through the second half as fewer programmes were *being completed for delivery to* broadcasters.

Earnings per share were 0.29p (0.19p).

NEWS DIGEST

Wholesale Fittings 10% higher

Wholesale Fittings, the Essex-based distributor of industrial and commercial electrical products, achieved a 10 per cent increase in profits to £1.03m pre-tax for the half year ended October 31.

Sales improved from £30.3m to £34.5m.

Basic earnings emerged at 4.96p (4.4p) and the interim dividend is held at 3.23p.

Interest income declined from £137,000 to £15,000.

Second half sales to date were showing an "even stronger improvement" than for the opening six months.

Green Property

Profits of Green Property rose to I£2.14m (£2.06m) pre-tax for 1993, an improvement of 17 per cent over last time's I£1.83m.

Net rents advanced to I£4.75m (I£4.65m). Earnings emerged at 9.57p (7.68p) and a final dividend of 2.8p makes a 4p (3.8p) total.

At the period-end net assets per share had risen to 197p (167p) while the balance sheet was strengthened by early conversion of the 1995 loan stock.

WH Smith

Sir Michael Field, currently managing director at WH Smith, is to become the company's chief executive at the end of the month.

Markheath

Markheath, the property company, cut pre-tax losses from £4.71m to £2.37m in the six months to September 30.

The company said that restructuring talks, begun last March, were continuing.

Mr Michael Rendle, chairman, said that reducing overheads enabled rental income, at £1.74m (£1.57m), to make a contribution towards interest costs of £3.55m (£2.4m). Losses per share were 1.94p (4.03p).

The company is controlled by Adelaide Steamship, the Australian company and its associates.

CH Bailey

CH Bailey, the ship repairer and leisure company, reported losses of £206,359 pre-tax for the 28 weeks to October 8, against profits of £773,256.

Turnover was £1.89m (£2.34m). The loss was after crediting £383,622 (£1.24m) from the sale of investments.

Losses per share were 0.34p (1.26p earnings).

Edinburgh Tiger

Edinburgh New Tiger Trust's offer for subscription opened yesterday with commitments received amounting to £105m, being 75 per cent of the maximum size of the fund.

The offer, of up to 280m new ordinary shares, closes on February 18. Sponsor is Panmure Gordon.

The trust will be managed by Edinburgh Fund Managers.

Wintrust

Wintrust, the merchant banker, lifted pre-tax profits by 22 per cent, from £1.01m to £1.23m, in the six months ended September 30.

Earnings came through at 7.36p (5.53p) and the interim dividend is 3.3p (3p).

The shares rose 30p to 360p.

Scottish National

Net asset value per capital share of the Scottish National Trust improved from 94.9p at end-September 1993 to 145.7p at December 31.

After-tax revenue for the three months improved to £2.5m (£2.29m), equal to earnings of 1.56p (1.42p) per income share. A same-again first interim dividend of 1.55p was announced last Tuesday.

Suter

Suter, the industrial conglomerate, is to acquire the remaining 51 per cent of Refrigeration Investment Company (Proprietary), a holding company for a group involved in the wholesaling and distribution of refrigeration and air conditioning products in South Africa. The price is R31.11m (£5.4m) and could rise to R36.26m.

Verson

Verson International, the heavy machinery maker, has completed agreements in respect of management services and previously unrecorded royalties, leading to the receipt of £2.25m cash and assets valued about £800,000.

Brandon Hire

Brandon Hire, the tool, catering and furniture hirer, raised pre-tax profits from £61,000 to £99,000 for the six months to October 31 1993.

Turnover improved to £2.35m, against £2.17m.

Earnings per share increased from 0.59p to 0.86p.

There was again no interim dividend, but the chairman expressed optimism that a full-year payment would be recommended.

Essex Furniture

Essex Furniture said yesterday that it was in talks with several broking houses with a view to making an appointment soon.

Peel Hunt and Panmure Gordon are thought to be two of the main contenders, following the surprise resignation a week ago of Williams de Broë, the furniture retailer's stockbroker and financial adviser.

Lookers

Lookers, the Manchester-based motor group, is to sell its loss-making Burtree Caravans business to Dave Barron Caravans for £2.8m.

Burtree, based in Darlington, Co Durham, sells new and used static and touring caravans, trailer tents and accessories.

Lookers said the sale would release capital employed of some £2m. Proceeds will be used to reduce borrowings.

Goal Petroleum

Goal Petroleum is paying £5.7m for a stake in a North Sea block, which includes a 3.44 per cent interest in the Andrew oilfield, from British Gas Exploration and Production. The field is operated by British Petroleum.

The consideration is being met from existing resources.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Dyson (J&J) ....int	1.5	Apr 1	2	-	5
Greenfriar Inv ....fin	4.5	Mar 25	4.25	6.65	6.35
Green Property ....fin	2.8♣	Jan 31	2.6	4	3.8
Wintrust ....int	3.3	*Mar 31*	3	-	9.3
W'sale Fittings ....int	3.23	Apr 8	3.23	-	11.7
Yorkshire-TT ....fin	nil	-	8.7	3.3	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

Renault, Volvo to disband joint purchasing body

By John Ridding in Paris

Renault and Volvo have agreed to dismantle their joint purchasing and quality control organisations in the wake of the collapse of their merger plans, Renault said yesterday.

The decision was taken during the past week following discussions with Volvo's new board. It represents one of the most important steps taken by the companies in determining the future of their relationship since the merger agreement collapsed last December in the face of strong opposition from Volvo shareholders.

The two bodies, and in particular the joint purchasing organisation, were designed to achieve substantial cost-savings and were central elements of the merger project. Renault said the strategic importance of the purchasing and quality control operations meant they could not be continued without a full merger.

Following the failure of the merger, Mr Louis Schweitzer, Renault chairman, said co-operation between the two groups could continue, but certain sensitive and strategic activities would need to be reviewed.

The companies have suspended work on the P4 project, which was aimed at developing a common platform to replace the Volvo 900 series and the Renault Safrane. Other areas of co-operation, including joint distribution agreements are under review.

Co-operation continues in several important areas. Renault will, for example, receive Volvo engines for its Laguna model, due to be introduced shortly, and will supply the Swedish group with engines and gearboxes for its 400 series.

The cross-shareholdings between the two groups, which include a 20 per cent holding in Renault SA by AB Volvo and holdings of 25 per cent in Volvo Car and 45 per cent in Volvo Truck by the French group, remain in place. But a decision on whether to maintain the joint investments must be made before Renault's privatisation, which is scheduled for later this year.

The purchasing body was established in January last year.

The aim was to increase joint procurement from 20 per cent of the estimated FFr85bn ($14.4bn) of combined total purchases to 80 per cent. The organisation, like the quality control unit, was based jointly in Paris and Gothenburg.

SAS may sell leisure unit to Thomson Travel

By Christopher Brown-Humes in Stockholm

Scandinavian Airlines System (SAS) is discussing the sale of its SAS Leisure unit to Thomson Travel of the UK in a move which would combine two of Europe's leading tour operators.

Disposal of the unit would be in line with SAS's new focus on core flying operations and would bolster Thomson's strong position in the European travel market.

SAS Leisure is Scandinavia's leading tour operator through its Ving and Always units and it has a market presence in Sweden, Norway and Denmark. Ving claims to be Europe's fourth or fifth biggest tour group.

Other operations within SAS Leisure include a 50 per cent stake in Premiair, the charter airline, and a 49 per cent stake in Spanair. It owns 14 resort hotels, mainly around the Mediterranean Sea.

SAS declined to indicate how the talks were progressing. "We have no comment to make while talks are ongoing," the company said. Mr Mike Frith, finance director of Thomson Travel, said it was company policy to make no comment. Thomson Travel – part of the Canadian Thomson Group – includes Britannia Airways and Lunn Poly. It is understood there have been other expressions of interest in the leisure unit which is expected to have incurred its first loss in 1993.

Last year's performance was affected by recession and the weakening of the Swedish krona.

At the nine-month stage, SAS Leisure had plunged to a SKr89m ($10.2m) loss on revenues of SKr3.43bn. This compares with a SKr64m profit on revenues of SKr6.4bn for the whole of 1992.

SAS said it intended to focus on core business last November when it unveiled a SKr1.13bn pre-tax loss for the first nine months and a new round of cost-cutting.

The back-to-basics strategy was reiterated by the group's chief executive elect, Mr Jan Stenberg, earlier this week.

Outsiders invited into Italy's boardrooms

Iri, the state holding company, is testing a new mould for the selection of executives. Haig Simonian reports

The appointment of outsiders to fill top jobs at Alitalia, Italy's troubled national airline, has reinforced the sense that a tough new broom is sweeping the corridors of state industry.

Mr Renato Riverso, chairman designate, and Mr Roberto Schisano, managing director, fit the new mould for selecting executives being tested by the big Iri state holding company, which owns Alitalia and a basket of other loss-making companies.

Neither man has created quite the stir that followed the selection of Mr Hayao Nakamura, a senior Nippon Steel executive, to head Iri's chronically loss-making Ilva steel subsidiary, which is now in liquidation.

The Alitalia appointees are slightly less egregious in that both are Italians, even if they have been out of the country for much of their careers.

Mr Riverso, the respected former chairman of IBM's European operations, has spent 37 years working for IBM since joining it from university.

Mr Schisano, 50, is chairman of the European operations of Texas Instruments, the US computers and electronic components group, and has worked much of his life outside Italy.

Iri's growing predeliction for outsiders was indicated last year, with the choice of Mr Claudio Dematte, a respected business professor, as chairman of the Rai state broadcasting organisation, which it controls, and of Mr Gianni Locatelli, editor of the Sole 24 Ore business newspaper, as Rai's managing director.

Although the Ilva, Rai and Alitalia appointments were made by two different heads of Iri, they reflect similar priorities for the group as it struggles to staunch the flow of large losses.

Mr Nakamura was the choice of Mr Michele Tedeschi, Iri's former director general, who was given full executive powers after the group's July 1992 transformation into a joint stock company.

Although Mr Tedeschi was subsequently shifted to Iri's big Stet telecommunications arm, Mr Romano Prodi, the new Iri chairman, has been even more active in privatising successful operations and restructuring loss-makers as a preliminary to sale or closure. The list of disposals under Mr Prodi, a market-orientated professor who ran Iri in the 1980s, includes Credito Italiano, the bank, and the food production arm of the Sme concern.

Next month will see the sale of Iri's controlling stake in Banca Commerciale Italiana, another big bank. For less healthy operations, the new treatment has begun with the imposition of new management.

Ilva's expansionist-minded former chief executive, Mr Giovanni Gambardella, had to make way for Mr Nakamura; various top executives at Iri's heavily loss-making Iritecna construction arm have been removed; while this week it has been Alitalia's turn.

Almost all the appointees reflect similar job requirements, spotlighting previous lacunae in state industry. The most striking has been the stress on international experience – ideally in the private sector.

That reflects the need to address the increasing globalisation of many of the businesses in which Iri operates and the consequent need for executives with the right backgrounds.

It shows an awareness that international alliances will become more important in many Iri companies. One of the criticisms of Mr Giovanni Bisignani, Alitalia's former managing director, is that he failed to react to the merger wave sweeping across the airline industry.

Private-sector experience is as important. Mr Bisignani's career was exclusively within Iri and Eni, the other big Italian state holding company. With privatisation essential to shore up Iri's tottering finances, finding market-orientated executives who have not been nurtured in Italy's big state monopolies has become a must.

Politics plays a part. Managers inured in the habits of the big state holding companies have grown accustomed to a world in which large investments were often based on political, rather than commercial, concerns, or where rationalisation was regularly postponed for fear of its electoral consequences.

Political changes have affected Iri directly. The long-running corruption scandals have led to the resignations of some senior staff, such as Mr Franco Nobili, the former chairman.

Even where there is no hint of scandal, once prized political contacts can become embarrassing today. Critics claim Mr Bisignani's fast-track career in state industry owed something to the sponsorship of Mr Giulio Andreotti, the veteran political leader.

With managers too closely associated with the discredited political establishment looking increasingly fragile, observers are asking how long some senior political appointees can last. Mr Biagio Agnes, the chairman of Stet, and Mr Ernesto Pascale, who chairs Iri's Sip telecoms utility, look vulnerable.

However, with a limited supply of suitable candidates with strong international backgrounds to call upon, the problem for Mr Prodi may be in finding replacements.

Bridgestone to halve Japan capital outlay

By Paul Abrahams in Tokyo

Bridgestone, Asia's largest tyre manufacturer, is to halve its domestic capital expenditure because of poor demand in Japan.

The company intends to spend Y22bn ($203m) during 1994, compared with Y44bn last year and a peak of Y65bn in 1992. Capital investment is unlikely to increase much above Y22bn over the next three years.

Bridgestone is suffering from the sharpest fall in Japanese vehicle production for 19 years. Output of vehicles last year fell 10.2 per cent to 11.2m. The Japan Automobile Manufacturers' Association projects it will fall below 11m vehicles this year.

Bridgestone refused to identify which projects it would cut. It said spending would be on productivity improvements and savings rather than capacity expansion.

However, it stressed its overseas investment programme would continue. The group is building a second plant in Thailand, due for completion in 1996, and expanding plants in Warren, Nashville, Brazil and Indonesia.

Fokus Bank halts merger talks

By Hugh Carnegy in Stockholm

Fokus Bank, Norway's fourth largest bank, is pulling out of merger talks with Christiania Bank, the second-largest banking group, following political support for it remaining independent.

The two state-controlled banks announced on Monday they were discussing a merger that would have been one of the biggest rationalisations of the Norwegian banking system since it was engulfed by a loan-loss crisis at the turn of the decade. But the announcement was followed by a meeting of parliament's all-party finance committee at which it became clear there was majority support for Fokus Bank remaining self-standing by raising funds through a reprivatisation process.

"We now have clear political backing to pursue an independent solution – there is definitely a majority in parliament for that," said Mr Leif Klevan, chief executive of Fokus.

"We will prepare a new plan for the government on how to proceed, probably by raising money from the markets." Fokus, taken over by the state in 1991, seems to have outflanked the Labour party government, which appeared to favour a merger with Christiania but which is in a minority in the Storting (parliament).

The bank was lifted by reports that a group of private foreign and domestic investors was ready to step in with a NKr500m ($68.5m) recapitalisation package. Banking sources said yesterday this proposal was serious.

The government, which controls all the main banks, has been considering restructuring the banking system for more than a year. It commissioned a review from Davis International Banking Consultants of the UK which is understood to have included a Christiania-Fokus merger as one of the possible options. But no concrete steps have been taken since Den norske Creditbank and Bergen Bank were merged to form Den Norske Bank in 1990.

Meanwhile, the first steps towards reprivatisation have been taken through a share issue last month by Christiania Bank, which left it 69 per cent owned by the government, and a similar move planned by DnB, the country's largest bank, in the spring.

The breakdown of the merger talks is a disappointment for Christiania which hoped to strengthen its geographical spread by what would have been in effect a takeover of Fokus, which is based in the western city of Trondheim. Both Christiania, with assets of NKr114bn, and Fokus, with assets of NKr30bn, reported a return to profit in the first nine months of last year.

Metall Mining bids for exploration group

By Bernard Simon in Toronto

Metall Mining, the international mining arm of Germany's Metallgesellschaft, has launched a hostile takeover bid for a small Vancouver-based company whose main asset is a rich gold and copper deposit in Argentina.

Metall, which is based in Toronto, has offered to buy all the outstanding common shares of International Musto Explorations for C$232m ($178.5m), or C$16.25 per share payable in cash or Metall convertible preferred shares.

Metall has a strong balance sheet, including about C$250m in cash.

Metallgesellschaft is expected to sell its 50.1 per cent stake in the Canadian company as part of the financial restructuring which has followed its near collapse. The disposal is dependent on the agreement of Metall's partners in various joint ventures, as well as securities firms which underwrote a recent Metall share issue.

The offer is conditional on Musto not disposing of a large part of its 100 per cent stake in the Bajo de la Alumbrera deposit in north-west Argentina.

The property is estimated to contain 5.8bn lbs of copper and 10m ounces of gold. Metall said that at least 50.1 per cent of Musto shares must be tendered for its bid to go ahead.

Metall made an identical offer to Musto last week, but was turned down by its management in favour of a joint venture proposal from another unidentified company. Musto has been seeking a partner to help finance and develop a mine on the Alumbrera property at an estimated cost of C$550m.

Hardy optimist banks on obscure fortunes of jute

David Blackwell reports on the worldwide development plans of Titaghur in India and Scotland

Jute has been a sunset industry for 100 years, according to one industry observer. But the chairman of the only UK company still operating mills in India is confident that he can buck the trend.

While observers generally dismiss most ideas for new markets for jute as pie in the sky, Mr Reg Brealey, chairman of Titaghur, says that the material, best known for its use as sacking and carpet backing, has a bright future as an environmentally friendly material.

On Monday he will outline his plans to shareholders in London at the 110th annual meeting of the company, which has its origins in Dundee, once known as Jute City.

He has other ideas for taking Titaghur forward, including a scheme to train disadvantaged youngsters at a newly acquired remote estate in the Scottish highlands and at his Calcutta jute mills. He also plans to build the biggest stock of jute goods in the world in Scotland.

But current needs, let alone these plans, urgently require fresh capital. The company is trying to sell $50m (£33m) of bonds and get a US stock listing following its drumming out of the London Stock Exchange four years ago.

Controversy and bold schemes are not new to Mr Brealey, who is also chairman of Sheffield United football club.

After his arrival at Titaghur in 1988 the shares soared spectacularly, becoming share of the year that year and peaking at £16.88 in 1989. However, the following year the Stock Exchange cancelled the quote on the grounds that the company's heavily qualified accounts meant there was inadequate financial information.

Mr Brealey also became the first person in the UK to face charges of insider dealing. At the trial the Crown Prosecution Service offered no evidence on the charges, which related to Titaghur shares. The judge ordered the CPS to pay defence costs estimated at £500,000, and described the "catalogue of omissions" in the case as "so appalling as almost to be considered scandalous".

The following year the Court of Appeal rejected a shareholder's attempt to refer the Exchange's delisting procedure to the European Court of Justice.

Meanwhile, Mr Brealey, whose 29.9 per cent stake in the company cost £2.5m, had little option but to work through its numerous problems.

The turbulence of the jute industry is reflected in the company accounts, which now show an accumulated deficit of £61m after a loss on ordinary activities of £4.3m in the year to end-March 1993, the latest figures available. The shares have been trading recently on a matched bargain basis at 25p.

In his statement in the 1992-93 annual report, Mr Brealey blames the latest loss on shortage of raw materials, which led to labour unrest and temporary closure of two of the company's six mills. In the past 12 months Mr Brealey has made three visits to Calcutta and now claims to be well on the way to solving the labour problems.

For the first time a team of 10 UK managers is in place in Calcutta. The workforce has already been reduced from 18,000 to 16,000. More importantly, according to Mr Brealey, the company has an agreement with its unions to reduce the number of workers employed for the manufacture of each tonne of jute. Further reforms of shift systems are expected.

Full production at the mills would yield 2,500 tonnes a week of finished jute product. At that level Brealey's mills would have 10 per cent of Indian jute goods production.

However, the mills are by no means running smoothly. The Victoria has been closed for the past six weeks while the new managers continue union negotiations. None of the others are working at full capacity, partly reflecting the continuing shortage of raw jute.

There are 61 jute mills in Calcutta. While a large number have changed hands recently, it is impossible to uncover what price they have fetched. Many are closed at any one time, and some produce only 15 to 20 tonnes a week.

Alan Harper

Reg Brealey: changing young people's attitudes by taking them to visit Calcutta's jute mills

The industry remains troubled, with the mills this week making desperate attempts to organise imports of raw jute from any possible source. Raw jute prices have almost doubled since last September, with standard grade jute now at $325 a tonne.

Titaghur needs cash badly. Mr Brealey will not reveal with whom he is holding negotiations over the $50m bond, but claims that a successful conclusion would transform the company's balance sheet, giving shareholders' funds of £74m, compared with £58m at March 31 last year.

The group's main assets are the jute mills in Calcutta, operating with Victorian machinery. The notes to the accounts show the land, buildings and plant at £76.4m, as valued by the Indian government authorities.

Part of the bond, which would be secured on properties and stock, would be used to buy raw jute, and part to finance a 25,000-tonne stock of finished product in Scotland.

Mr Brealey believes that if he can bring finished product to the UK for sale into Europe he will realise enhanced profits. He is planning to hold the stock in new warehouse facilities so that carpet makers can forward buy and fix their costs. To put this in perspective, the Food and Agricultural Organisation of the United Nations put 1992 UK imports of jute goods at 38,500 tonnes, while EU imports were 277,300 tonnes.

"Jute has to be the backbone of the company because that's what it is," says Mr Brealey. But he has further plans for the group, and has made two important acquisitions since March last year.

The most controversial has been the purchase of the 16,500-acre estate on Knoydart Peninsula, one of the most remote parts of Scotland. About £2.5m has been invested so far in a project to train young people who have been in care. It will be run by a retired army colonel and has been described as National Service for civilians.

A sojourn at the jute mills in Calcutta will be an integral and character-building part of the course. "Youngsters will see how people earn their living and change their attitudes," he says.

The purchase of the estate is also aimed at establishing assets in Britain. To this end he has also purchased, through the issue of 2m shares, West Midland Surfacing, a road surfacing group with an annual turnover of about £6m.

The group is also moving into the bio-technology market, although details have yet to emerge. Mr Brealey promises some eye-opening presentations at the annual meeting of biotechnological projects, at least one of which will use jute products.

Mr Brealey, who says he has drawn only expenses from Titaghur since 1988, describes the task of sorting out the company as Herculean. But he points out that he holds 29.9 per cent of the stock. "It's in my interests to look after it."

However, it has been difficult to make good profits in the Calcutta jute industry for the past 20 years. Of all the mills in India, totalling about 70, only 12 are now thought to be making reasonable returns.

As one industry observer said: "It would need a very clever man to go from Europe and make money from jute."

Additional reporting: Kamal Bose in Calcutta

Proteus looks to joint ventures

By Tim Burt

Proteus International, the computerised drug design company, yesterday hailed joint ventures as the key to profitability after three successive years of losses.

Although pre-tax losses more than doubled to £2.73m (£1.21m) in the six months to September 30, the Macclesfield-based group said such ventures would give it "ultimate access to profits".

Since March last year the USM-traded company, ultimately controlled by Imseco Medical Services and which specialises in molecular modelling for drug development, has formed five new joint ventures to produce and market drugs for the human and animal health sectors.

Most recently, it joined forces with Medeva, the pharmaceuticals group, to set up Beavermade – a new company to develop synthetic vaccines and therapeutics for humans.

Mr Kevin Gilmore, executive chairman, said the group's long term prospects had been further enhanced by its strategic alliance with American Home Products, the New Jersey-based pharmaceutical group.

The multi-product agreement with AHP, from which Proteus will receive 50 per cent profits and retain patents over drugs in clinical development, was typical of the deals it is pursuing, he said.

"The agreement also gives us the opportunity for substantial future potential earnings whilst limiting downside risk," he added.

In spite of his optimism, the shares fell 19p yesterday to close at 423p. Losses per share rose from 4.73p to 10.08p.

Mr Gilmore, said, however, that the results were broadly in line with expectations and represented only a small increase over a pre-tax deficit of £2.34m in the second half of last year.

Most of the losses were incurred as the company increased product development.

Cupid losses rise to £0.46m as sales fall

Pre-tax losses at Cupid increased from £168,000 to £456,000 in the six months to September 30, as a shortfall in sales negated efforts to cut costs.

The USM-traded company has interests in bridal and formal wear and nursery care products.

Mr Richard Shaw, chairman, said that since the launch of the new collections in the autumn of last year, retail sales were substantially ahead but second half sales to date would still be below expectations.

Stronger sales added to cost savings should produce an improved result for the year, he added. "But this will be substantially below market expectations and it is not clear whether the company will return to profitability in the 12 months to March 31 1994."

The shares lost 4p yesterday to close at 26p.

Turnover was lower at £7.28m (£8.5m). Retail sales reflected the poor reception to the 1993 Pronuptia collection which was being sold at low margins in September to reduce stocks.

Losses per share were 1.7p (1.1p).

Deficit widens at Cathay Intl

By Simon Davies

Cathay International, the China investment vehicle formed from the shell of Stonehill Holdings, announced pre-tax losses widened to £515,000 for the six months to September 30, against £170,000, but said it was on target in building up its asset base in China.

Turnover rose marginally to £1.17m, but operating profit fell as a result of an increase in activities in China which have yet to make a contribution.

The company is currently renovating the Fuyuan Landmark Hotel in Shenzhen, which will reopen in the first quarter of 1994. In addition, Cathay is proceeding with the redevelopment of a 500,000 sq m site in central Beijing and upgrading the adjoining Beijing Xiyuan hotel.

Phase one of the project should commence during 1994, and final completion is due in 1999. The project is 60 per cent owned by Cathay.

At the interim stage, however, the company's main income source was the Stonehill Business Park in north London.

Mr James Buchanan, chairman, said: "The results for the year to March 31 1994 will cover a period of significant transition from which the trend in respect of the importance of the activities in China should be clear."

The company is currently evaluating further projects in China. Its Hong Kong-based parent company, which owns 59 per cent of Cathay's shares, is involved in a number of investments in China. It has focused primarily on property and power projects.

Losses per share were 0.086p (0.91p). Cathay has been unable to pay a dividend, due to the absence of distributable reserves.

Following High Court approval to reduce its share capital by £3.8m, directors said the deficit on the profit and loss account had been eliminated and dividends would be resumed "when appropriate".

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Agreement hopes lift aluminium

Aluminium prices climbed to 6½-month highs at the London Metal Exchange this week as scepticism about producing countries' plans for co-ordinated output cuts began to be overcome.

Gains were trimmed somewhat yesterday but the three months delivery position still ended $48 up on the week at $1,237.50 a tonne.

Delegates from Russia and leading western producers of the metal met last week to seek a formula for reducing the current world supply glut, which most analysts blame on the flood of Russian material to the west that has ensued from the collapse of the Soviet Union.

The failure of the meeting, which was conducted in extreme secrecy, to result in a clear statement of intent disappointed the market initially. However, as it became clear that this resulted from the need to avoid contravention of anti-trust laws in the US and elsewhere market confidence in the plan appeared to revive.

A memorandum of understanding based on last week's discussions was dispatched to participants on Monday. They were asked to respond by 11pm GMT last night and a statement the European Commission, which hosted the meeting, is expected soon.

Some traders suggested, however, that this was unlikely to be such as to drive prices much higher as cuts amounting to 1.5m to 2m tonnes a year (about 10 per cent of world output) were already factored into current prices. But if the agreed cuts fell short of that level there was scope for a sharp market setback.

Sentiment was also dented yesterday by a Russian aluminium industry official's warning that output cuts resulting from the "understanding" would not necessarily results in reduced exports from Russia.

The aluminium market's buoyant mood spilled over into the LME copper contract, where the three months position gained $6.25 on the week to $1,871.50 a tonne, despite falling $12 yesterday.

The gold market tested the limits of its recent trading range this week before ending at the lower end.

A sharp fall on Monday took the London price to $378.40 a troy ounce, down $6.85 from the previous Friday, before support was found. A modest but sustained recovery lifted it to $384.80 an ounce on Thursday morning, before the rot set in again, encouraged by rumours that Venezuela's troubled Banco Latino might have ten to 15 tonnes of the metal to sell. The renewed slide continued yesterday, when the price closed at $378.40 an ounce, down $3.80 on the day and $6.85 on the week.

The bulls remained undaunted, however, and dealers told the Reuter news agency that the overall uptrend was still intact. "It has to go below $374 before that is broken," one said, adding that gold's problem was its apparent inability to break through upside resistance.

At the London Commodity Exchange a rally encouraged by news that Central American producers had set a minimum export price of 80 cents a pound, fob, pushed March coffee futures to $1,204 a tonne at one stage. But profit-taking soon had the price back into the $1,180s and it ended the week down $5 at $1,175 a tonne.

May cocoa futures ended just £5 higher at £915 a tonne, after another abortive attempt in mid-week to break down overhead resistance around £920 a tonne.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-3,500+	to 2,502,325
Aluminium alloy	-220	to 47,180
Copper	-5,650	to 600,775
Lead	+7,850	to 321,150
Nickel	+714	to 128,826
Zinc	+14,800	to 998,325
Tin	-75	to 20,625

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$378.40	-6.85	$330.35	$405.75	$326.05
Silver per troy oz	335.50p	-9.3	246.75p	362.50p	236.00p
Aluminium 99.7% (cash)	$1220.0	+47.5	$1202.5	$1240.00	$1023.50
Copper Grade A (cash)	$1848.5	+5.0	$1497.5	$2375.00	$1108.50
Lead (cash)	$506.5	-2	$285.5	$508.50	$361.50
Nickel (cash)	$5715	+46	$5800	$6340	$4043.5
Zinc SHG (cash)	$997.5	-7.5	$1099	$1112	$868.0
Tin (cash)	$5207.0	+217	$5840	$6047.5	$4340.0
Cocoa Futures May	£915	+5	£718	£1061	£663
Coffee Futures Mar	$1178	-2	$835	$1297	$836
Sugar (LDP Raw)	$259.8	-3.3	$213.0	$317.4	$204.5
Barley Futures Mar	£103.40	-1.35	£136.0	£110.30	£101.50
Wheat Futures Mar	£99.90	+0.35	£140.85	£149.45	£99.30
Cotton Outlook A Index	73.75c	+2.25	58.25c	73.75c	54.15c
Wool (64s Super)	364p	+4	390p	403p	319p
Oil (Brent Blend)	$14.13x	+0.30	$18.475	$19.53	$13.64

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Mar.

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1219.5-20.5	1237-38
Previous	1229.5-30.5	1246-46.5
High/low		1250/1233
AM Official	1227-27.5	1244-44.5
Kerb close		1238-38.5
Open int.	264,839	
Total daily turnover	33,724	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1064-68	1088-89
Previous	1067-72	1090-95
High/low		1092/1088
AM Official	1069-72	1092-94
Kerb close		1087-92
Open int.	3,009	
Total daily turnover	210	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	506-07	518-19
Previous	517-18	529-30
High/low		525/515
AM Official	510-11	522.5-23
Kerb close		516.5-17.0
Open int.	33,090	
Total daily turnover	7,778	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5710-20	5775-80
Previous	5730-40	5790-800
High/low		5810/5725
AM Official	5685-70	5732-34
Kerb close		5785-90
Open int.	60,470	
Total daily turnover	9,853	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5202-12	5250-60
Previous	5175-85	5225-35
High/low		5260/5180
AM Official	5167-70	5215-16
Kerb close		5235-40
Open int.	17,531	
Total daily turnover	4,774	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	997-98	1016-17
Previous	1002-03	1021-22
High/low	998	1019/1008
AM Official	998-98.5	1016-16.5
Kerb close		1014-5
Open int.	98,255	
Total daily turnover	15,289	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1848-49	1871-72
Previous	1860-61	1883-84
High/low	1853/1852	1883/1867
AM Official	1852-52.5	1875-76
Kerb close		1866-67
Open int.	259,366	
Total daily turnover	57,419	

■ LME AM Official £/$ rate: 1.4990
LME Closing £/$ rate: 1.5020

Spot:1.5000 3 mths:1.4920 6 mths:1.4884 9 mths:1.4813

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	85.70	-1.10	86.30	85.70	1,200	40
Mar	85.70	-1.10	86.70	85.50	35,432	5,721
Apr	85.20	-1.00	85.45	85.20	717	42
May	85.15	-0.95	86.00	85.00	10,230	1,234
Jun	85.30	-0.90	86.00	86.00	350	26
Jul	85.35	-0.90	86.10	85.15	5,317	433
Total					63,355	7,918

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	378.20-378.60	
Opening	378.00-378.40	
Morning fix	378.15	252.167
Afternoon fix	378.25	251.362
Day's High	375.50-378.90	
Day's Low	375.50-375.90	
Previous close	382.00-382.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.62 6 months 2.69
2 months ....2.64 12 months 2.79
3 months 2.65

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.50	497.40
3 months	335.90	501.25
6 months	339.80	505.05
1 year	347.75	514.05

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	252-255
Maple Leaf	388.50-391.00	-
New Sovereign	89-91	59-62

Precious Metals continued

ENERGY

GRAINS AND OIL SEEDS

SPICES
Nutmeg and mace prices were strong again, reflecting a lack of offers from Indonesia. East Indian prices increased, so that finally West Indian offerings became competitive and stocks began to be reduced. The cassia season is now over and prices have slowly begun to decline. Further decreases can be expected until March/April, when purchases begin to be made for the autumn grindings. Mexican pimento is sold out, leaving Jamaica as more or less the only supplier. Cloves prices remain depressed. Grenada nutmeg prices were: suns $1,875 a tonne, and guns $1,475. Mace no2 was offered at $2,750 a tonne. Indonesia abcd nutmegs were fetching $1,875 a tonne; ss $1,550; and bwp $1,650. The mace price was $2,550 a tonne.

SOFTS

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	104.75	+1.10	105.70	104.35	11,818	1,228
May	107.80	+1.25	108.35	107.20	3,085	417
Jul	110.10	+1.10	110.90	109.40	1,294	119
Sep	112.10	+1.10	-	-	813	1
Nov	114.10	+1.10	-	-	387	13
Jan	116.10	+1.35	115.00	115.00	440	1
Total					17,878	1,777

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 28	Jan 27	month ago	year ago
1722.1	1719.7	1664.5	1702.1

■ CRB (Base: 4/9/56=100)

Jan 27	Jan 26	month ago	year ago
225.03	225.92	226.16	199.49

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	121.7400	-	6.18	6.30	6.54
Belgium		7.250	04/04	105.3300	+0.050	6.52	6.60	6.36
Canada *		7.500	12/03	108.4700	+0.570	6.33	6.40	6.62
Denmark		7.000	12/04	107.5200	+0.250	6.02	6.03	6.12
France	BTAN	8.000	05/98	110.8500	+0.080	5.10	5.12	4.96
	OAT	6.750	10/03	107.6800	+0.370	5.69	5.70	5.63
Germany		6.000	09/03	101.9000	+0.250	5.73	5.73	5.56
Italy		8.500	01/04	100.6000	+0.040	8.41†	8.40	8.49
Japan	No 119	4.800	06/99	108.6120	-	2.91	2.85	2.37
	No 157	4.500	06/03	107.3670	-0.540	3.46	3.33	3.04
Netherlands		5.750	01/04	100.6000	+0.300	5.67	5.67	5.51
Spain		10.500	10/03	117.7500	+0.200	7.82	7.87	8.12
UK Gilts		9.750	01/98	114-02	+6/32	5.70	5.70	5.61
		6.750	11/04	103-26	+18/32	6.21	6.10	6.10
		9.000	10/08	122-31	+21/32	6.55	6.45	6.39
US Treasury *		5.750	08/03	101-00	+23/32	5.61	5.69	5.80
		6.250	08/23	100-21	+45/32	6.20	6.29	6.34
ECU (French Govt)		6.000	04/04	100.1200	+0.190	5.98	5.97	5.97

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6
Broker loan rate	5
Fed.funds	2⅞
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	2.88	Three year	4.37
Two month	2.93	Five year	5.02
Three month	2.99	10-year	5.65
Six month	3.22	30-year	6.22
One year	3.48		
Two year	4.10		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.24	130.52	+0.20	130.70	130.16	198,195	138,739
Jun	129.78	130.06	+0.20	130.20	129.74	2,905	11,889
Sep	128.96	129.24	+0.20	129.36	128.96	1,506	1,472

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
128	-	-	-	0.05	0.47	1.10
129	1.63	-	1.75	0.14	0.74	1.52
130	0.89	1.20	1.21	0.37	1.18	2.02
131	0.37	0.75	0.84	0.83	1.66	2.61
132	0.12	0.44	-	-	-	-
133	-	0.27	-	-	-	-

Est. vol. total, Calls 27,933 Puts 21,893. Previous day's open int., Calls 277,027 Puts 317,587.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.14	100.37	0.44	100.43	100.00	147710	165379
Jun	100.06	100.33	0.43	100.34	100.04	953	4646

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10000	0.63	1.10	0.26	0.77
10050	0.33	0.84	0.46	1.01
10100	0.18	0.63	0.81	1.30

Est. vol. total, Calls 35370 Puts 10395. Previous day's open int., Calls 230147 Puts 167436

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.93	103.05	0.19	103.08	102.89	2370	9448

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.18	118.50	0.45	118.73	118.15	48355	83851
Jun	118.44	118.75	0.48	118.77	118.41	893	4825

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11850	0.93	2.35	0.93	2.10
11900	0.70	2.11	1.20	2.36
11950	0.51	1.88	1.51	2.63

Est. vol. total, Calls 1459 Puts 662. Previous day's open int., Calls 48136 Puts 53681

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.48	106.78	+0.38	106.90	106.41	28,020	87,525
Jun	106.60	106.21	-	106.60	106.60	205	8,159

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118-05	118-28	0-21	119-04	118-05	102311	109358

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
118	1-16	1-56	0-30	1-44
119	0-46	1-25	0-58	2-13
120	0-22	1-00	1-34	2-52

Est. vol. total, Calls 15128 Puts 9821. Previous day's open int., Calls 99045 Puts 72001

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Mar	116-26	117-17	+0-24
Jun	115-23	116-14	+0-24
Sep	114-25	115-14	+0-24

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Autumn-winter men's ready-to-wear fashion shows begin in Paris (until February 1). Special congress of the Inkatha Freedom Party in Ulandi to discuss political situation (until January 30).

TOMORROW: French government announces a package of economic measures. National referendum on confidence in Mr Askar Akayev, president of Kyrgyzstan. Top trade officials from the US, EU, Canada and Japan attend dinner in Geneva.

MONDAY: Economic trends (January). Monthly digest of statistics (January) and annual supplement of definitions. Major British banking group's monthly mortgage lending (end-December). Farm incomes (1993). M0 figures (January-provisional). US personal income (December). UN Commission on Human Rights annual session in Geneva (until March 11).

TUESDAY: Advance energy statistics (December). US construction spending (December). Schengen accord due to become effective. A team from the IMF visits Moscow to help in drawing up Russian budget. Mr Yasser Yarafat, chairman of the Palestinian Liberation Organisation, addresses Arab-Swiss Chamber of Commerce in Geneva.

WEDNESDAY: UK official reserves (January). Overseas travel and tourism (November). US leading indicators (December); new home sales (December). The Euro Disney banks meet in Paris.

THURSDAY: Ministers of the Council of Europe member countries meet on drug trafficking in Strasbourg (until February 4). Bundesbank council meeting.

FRIDAY: Full monetary statistics (including bank and building society balance sheets) (December). Bill turnover statistics (December). Sterling commercial paper (December). London sterling certificates of deposit (December). Lending for house purchase (December). Official operations in the money markets (December). Major British banking groups' quarterly analysis of lending (fourth quarter). Start of informal meeting of EU foreign trade council in Greece.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar lower

The dollar came under pressure yesterday as concern about US-Japan trade talks and the likely deferral of a US rate increase combined to push the currency lower, *writes Philip Gawith.*

The release of better than expected 4th quarter US GDP figures was offset by a very low inflation number which caused the market to revise its view of when the US Federal Reserve might tighten monetary policy.

Earlier, the US currency fell following comments by US commerce secretary Mr Ron Brown that the US would explore options if trade talks with Japan were inconclusive.

The dollar ended in London at Y109.120, down from Y109.145 on Thursday and more than three yen down on the week.

● Preliminary figures released yesterday showed that the US GDP had grown by 5.9 per cent in the 4th quarter of 1993, the best figure in six years. Although the figures revealed very good economic growth in US, they did not help the dollar because of the exceptionally low deflator figure - regarded as a very reliable measure of broad inflation - of 1.3 per cent compared to expectations of about 2.5 per cent.

"This put back expectations of when the Fed will tighten policy, probably to April rather than February," said Mr Tony Norfield, UK Treasury economist at ABN-AMRO Bank in London.

■ Pound in New York

Jan 28	---Latest---	-- Prev. close --
£ spot	1.4965	1.5085
1 mth	1.4958	1.5068
3 mth	1.4903	1.5006
1 yr	1.4765	1.4885

Reports of the large scale selling of the dollar for yen by Japanese corporates also pushed the US currency lower.

Muddying the waters was a report that the next edition of Business Week magazine says a number of Fed governors favour tightening policy at next week's meeting of the policy-setting Federal Open Market Committee.

However, "the market does not feel on balance at the moment that a Fed tightening is imminent," said Mr Steve Hannah, head of research at IBJ International in London.

● The weaker dollar helped the D-Mark which closed stronger in London at DM1.7273 compared to DM1.7441 on Thursday. The currency was bolstered by positive comments about the German economy from Bundesbank board member Mr Otmar Issing, at the World Economic Forum in Davos, Switzerland. Mr Issing repeated his view that he expected German inflation to fall below 3 per cent this year, and also downplayed fears about high M3 money supply growth, implying that this was an aberration. High money supply growth and the weakness of the D-Mark had been seen as the main obstacles to an easing of monetary policy.

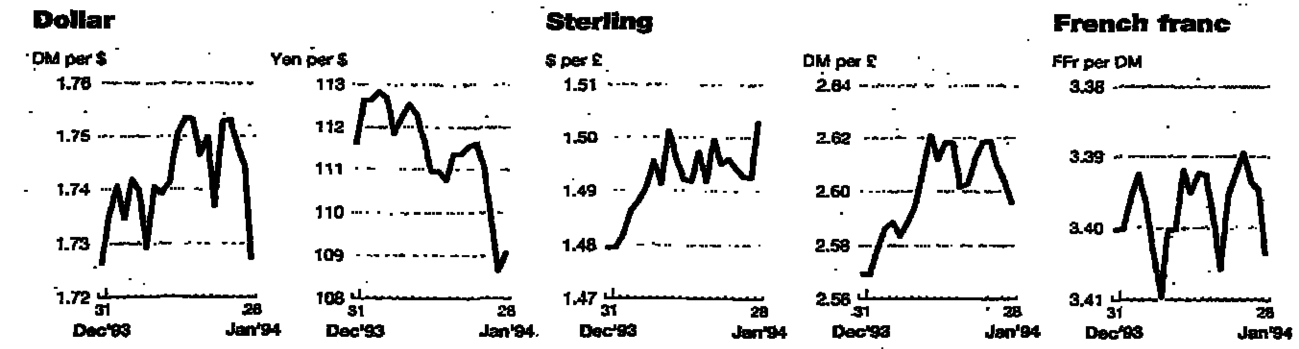
Mr Issing's comments were welcomed in the market as "constructive and helpful".

Mr Hannah said the markets interpreted Mr Issing's comments as indicating that the Bundesbank saw no permanent obstacles to a policy easing and that it was simply a matter of time.

● The pound ended stronger against the weak dollar, ending in London at $1.5036 compared to Thursday's close of $1.4925. It was lower, however, against the D-Mark, finishing at DM2.5971 from DM2.6031 on Thursday. Dealers said it was responding more to other events than moving under its own momentum.

● The Bank of England provided the money market with early assistance through a repo operation totalling £1.95bn at an interest rate of 5 19/32 per cent after forecasting a liquidity shortage of around £2.3bn. It later provided a total of £800m at 5⅝ per cent after revising the shortage to £2.75bn.

On the futures market the short sterling contract for June rose by 6 points to 94.93.



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2645	-0.0451	458 - 631	18.4565	18.2450	18.2583	-0.2	18.2677	-0.3	-	-	113.3
Belgium	(BFr)	53.6785	-0.053	492 - 078	54.1480	53.5900	53.7435	-1.5	53.8585	-1.3	54.1885	-1.0	113.7
Denmark	(DKr)	10.0986	-0.0066	917 - 054	10.1460	10.0840	10.1091	-1.2	10.1201	-0.9	10.1213	-0.2	114.6
Finland	(FM)	8.3446	-0.0511	348 - 543	8.4270	8.3340	-	-	-	-	-	-	81.9
France	(FFr)	8.8397	+0.0033	351 - 443	8.9025	8.8285	8.8473	-1.0	8.8594	-0.9	8.874	-0.4	107.7
Germany	(DM)	2.5971	-0.006	960 - 982	2.6095	2.5920	2.5988	-0.8	2.6004	-0.5	2.5999	-0.1	122.2
Greece	(Dr)	373.344	-0.528	094 - 594	374.520	372.850	-	-	-	-	-	-	-
Ireland	(I£)	1.0420	+0.0035	405 - 434	1.0435	1.0380	1.0425	-0.6	1.0436	-0.6	1.0464	-0.4	103.8
Italy	(L)	2543.34	+4.3	191 - 477	2549.70	2535.70	2549.49	-2.9	2562.19	-3.0	2608.39	-2.6	75.9
Luxembourg	(LFr)	53.6785	-0.053	492 - 078	54.1480	53.5900	53.7435	-1.5	53.8585	-1.3	54.1885	-1.0	113.7
Netherlands	(Fl)	2.9104	-0.0063	088 - 119	2.9235	2.9075	2.9103	0.0	2.9111	-0.1	2.9008	0.3	117.9
Norway	(NKr)	11.1906	-0.0032	853 - 958	11.2650	11.1605	11.1863	0.5	11.1811	0.3	11.1879	0.0	84.6
Portugal	(Es)	262.078	+0.815	857 - 298	264.653	260.590	263.353	-5.8	265.503	-5.2	-	-	-
Spain	(Pta)	210.542	+0.323	373 - 710	211.335	209.990	211.127	-3.3	212.327	-3.4	216.392	-2.8	85.4
Sweden	(SKr)	11.9091	+0.0266	984 - 198	11.9545	11.8830	11.9326	-2.4	11.9636	-1.8	12.0811	-1.4	77.0
Switzerland	(SFr)	2.1930	-0.0019	917 - 943	2.2050	2.1890	2.1911	1.1	2.1858	1.3	2.1616	1.4	117.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.4
Ecu	-	1.3390	-0.0008	380 - 399	1.3430	1.3365	1.3402	-1.1	1.3423	-1.0	1.3458	-0.5	-
SDR†	-	0.922346	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5035	+0.0113	030 - 040	1.5090	1.4970	-	-	-	-	-	-	-
Brazil	(Cr)	676.740	+16.294	545 - 935	680.000	663.000	-	-	-	-	-	-	-
Canada	(C$)	1.9913	+0.0339	904 - 922	1.9975	1.9755	1.9887	1.6	1.9828	1.7	1.9668	1.2	92.1
Mexico	(New Peso)	4.6695	+0.0315	667 - 722	4.6845	4.6505	-	-	-	-	-	-	-
USA	($)	1.5036	+0.0111	032 - 040	1.5100	1.4975	1.5009	2.2	1.4954	2.2	1.4811	1.5	66.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1251	+0.0215	238 - 264	2.1355	2.1140	2.1236	0.8	2.1213	0.7	2.1193	0.3	-
Hong Kong	(HK$)	11.6146	+0.0865	107 - 184	11.6555	11.5660	11.5929	2.2	11.5585	1.9	11.4584	1.3	-
India	(Rs)	47.1698	+0.3557	516 - 880	47.3340	46.9780	-	-	-	-	-	-	-
Japan	(Y)	164.073	+0.771	954 - 192	164.620	163.150	163.668	3.0	162.713	3.3	158.998	3.1	179.7
Malaysia	(M$)	4.1522	+0.0403	473 - 571	4.1605	4.1200	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6484	+0.0237	460 - 507	2.6570	2.6375	2.6513	-1.3	2.6556	-1.1	2.6642	-0.6	-
Philippines	(Peso)	41.6498	+0.3075	380 - 616	41.9700	41.0355	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6385	+0.0416	362 - 408	5.6580	5.6155	-	-	-	-	-	-	-
Singapore	(S$)	2.3945	+0.0087	931 - 959	2.4090	2.3871	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1314	+0.0277	289 - 339	5.1525	5.1125	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6722	+0.1089	629 - 815	6.6885	6.6190	-	-	-	-	-	-	-
South Korea	(Won)	1215.14	+6.97	459 - 568	1219.30	1210.30	-	-	-	-	-	-	-
Taiwan	(T$)	39.7703	+0.3161	845 - 560	39.9200	39.6900	-	-	-	-	-	-	-
Thailand	(Bt)	38.2516	+0.2376	264 - 768	38.4010	38.1060	-	-	-	-	-	-	-

†SDR rate for Jan 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1405	-0.1205	380 - 430	12.2130	12.1280	12.1635	-2.3	12.2052	-2.1	12.307	-1.4	102.6
Belgium	(BFr)	35.7000	-0.301	900 - 100	35.9000	35.5400	35.81	-3.7	36.02	-3.6	36.59	-2.5	103.1
Denmark	(DKr)	6.7163	-0.0557	135 - 190	6.7455	6.6905	6.7358	-3.5	6.7686	-3.0	6.8388	-1.8	103.3
Finland	(FM)	5.5497	-0.0756	447 - 547	5.5900	5.5265	5.5594	-2.1	5.5722	-1.6	5.6209	-1.3	78.5
France	(FFr)	5.8790	-0.0415	775 - 805	5.9090	5.8600	5.8947	-3.2	5.9248	-3.1	5.992	-1.9	104.0
Germany	(D)	1.7273	-0.0168	270 - 275	1.7385	1.7195	1.7316	-3.0	1.7391	-2.7	1.7557	-1.6	103.5
Greece	(Dr)	248.300	-2.2	200 - 400	249.600	247.300	251.3	-14.5	258.55	-16.5	289.3	-16.5	71.6
Ireland	(I£)	1.4431	+0.0059	415 - 447	1.4530	1.4390	1.4397	2.8	1.433	2.8	1.4151	1.9	-
Italy	(L)	1691.50	-9.7	100 - 200	1697.25	1685.80	1698.7	-5.1	1713.3	-5.2	1761	-4.1	76.6
Luxembourg	(LFr)	35.7000	-0.301	900 - 100	35.9000	35.5400	35.81	-3.7	36.02	-3.6	36.59	-2.5	103.1
Netherlands	(Fl)	1.9356	-0.0186	351 - 361	1.9470	1.9280	1.9391	-2.2	1.9452	-2.0	1.958	-1.2	103.0
Norway	(NKr)	7.4425	-0.0575	410 - 440	7.4730	7.4050	7.454	-1.9	7.4756	-1.8	7.5375	-1.3	94.5
Portugal	(Es)	174.300	-0.75	200 - 400	176.200	173.450	175.315	-7.0	177.4	-7.1	184.925	-6.1	94.4
Spain	(Pta)	140.025	-0.825	950 - 100	140.550	139.600	140.67	-5.5	142	-5.6	146.125	-4.4	80.9
Sweden	(SKr)	7.9204	-0.0411	154 - 254	7.9620	7.8865	7.9484	-4.2	7.9989	-4.0	8.1544	-3.0	82.7
Switzerland	(SFr)	1.4585	-0.0121	580 - 590	1.4667	1.4500	1.4597	-1.0	1.4618	-0.9	1.4595	-0.1	104.0
UK	(£)	1.5036	+0.0111	032 - 040	1.5100	1.4975	1.5009	2.2	1.4954	2.2	1.4811	1.5	91.3
Ecu	-	1.1230	+0.0085	225 - 235	1.1275	1.1165	1.12	3.3	1.1141	3.2	1.1006	2.0	-
SDR†	-	1.37817	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0002	999 - 000	1.0001	0.9998	-	-	-	-	-	-	-
Brazil	(Cr)	450.080	+7.57	070 - 090	450.110	450.050	-	-	-	-	-	-	-
Canada	(C$)	1.3244	+0.0129	241 - 246	1.3265	1.3170	1.325	-0.5	1.326	-0.5	1.3279	-0.3	88.7
Mexico	(New Peso)	3.1055	-0.002	045 - 065	3.1070	3.1045	3.1071	-0.6	3.1099	-0.6	3.1205	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.9
Pacific/Middle East/Africa													
Australia	(A$)	1.4133	+0.0038	128 - 138	1.4170	1.4100	1.4143	-0.9	1.4172	-1.1	1.4247	-0.8	88.7
Hong Kong	(HK$)	7.7245	+0.0005	240 - 250	7.7255	7.7240	7.726	-0.2	7.7285	-0.2	7.7395	-0.2	-
India	(Rs)	31.3713	+0.005	675 - 750	31.3775	31.3650	31.4363	-2.5	31.5713	-2.6	-	-	-
Japan	(Y)	109.120	-0.295	070 - 170	109.800	108.250	109.045	0.8	108.835	1.0	107.35	1.6	141.3
Malaysia	(M$)	2.7615	+0.0065	590 - 640	2.7645	2.7500	2.755	2.8	2.754	1.1	2.7765	-0.5	-
New Zealand	(NZ$)	1.7614	+0.0028	603 - 624	1.7630	1.7585	1.763	-1.1	1.7675	-1.4	1.7817	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.9000	27.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-	495 - 505	3.7515	3.7480	3.7524	-0.8	3.7568	-0.7	3.7755	-0.7	-
Singapore	(S$)	1.5925	-0.006	920 - 930	1.5985	1.5920	1.5914	0.9	1.5892	0.8	1.6015	-0.6	-
S Africa (Com.)	(R)	3.4128	-0.0068	120 - 135	3.4175	3.4040	3.4298	-6.0	3.4588	-5.4	3.5663	-4.5	-
S Africa (Fin.)	(R)	4.4375	+0.04	325 - 425	4.4430	4.4100	4.4685	-8.4	4.5275	-8.1	-	-	-
South Korea	(Won)	808.150	-	000 - 300	808.400	807.900	811.15	-4.5	814.65	-3.2	833.15	-3.1	-
Taiwan	(T$)	26.4500	+0.015	000 - 000	26.5200	26.3900	26.5525	-4.7	26.7	-3.8	-	-	-
Thailand	(Bt)	25.4400	-0.03	300 - 500	25.4700	25.4300	25.51	-3.3	25.65	-3.3	25.79	-1.4	-

†SDR rate for Jan 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. Morgan Guaranty Changes shown for Jan 27 . Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.47	4.838	1.941	4737	5.421	20.85	488.3	392.1	22.19	4.085	1.863	3.709	2.802	305.7	2.494
Denmark	(DKr)	53.15	10	8.752	2.571	1.032	2518	2.881	11.08	259.5	208.4	11.79	2.171	0.990	1.971	1.489	162.5	1.326
France	(FFr)	60.72	11.43	10	2.938	1.179	2877	3.292	12.66	296.5	238.1	13.47	2.481	1.131	2.252	1.701	185.6	1.515
Germany	(DM)	20.67	3.889	3.404	1	0.401	979.2	1.121	4.309	100.9	81.06	4.586	0.844	0.385	0.767	0.579	63.19	0.516
Ireland	(I£)	51.52	9.693	8.484	2.492	1	2440	2.793	10.74	251.5	202.0	11.43	2.105	0.960	1.911	1.443	157.5	1.285
Italy	(L)	2.111	0.397	0.348	0.102	0.041	100.	0.114	0.440	10.31	8.278	0.468	0.086	0.039	0.078	0.059	6.453	0.053
Netherlands	(Fl)	18.45	3.471	3.038	0.892	0.358	873.9	1	3.845	90.07	72.34	4.093	0.754	0.344	0.684	0.517	56.39	0.460
Norway	(NKr)	47.97	9.026	7.900	2.321	0.931	2273	2.601	10	234.2	188.1	10.64	1.960	0.894	1.779	1.344	146.6	1.197
Portugal	(Es)	20.48	3.853	3.373	0.991	0.398	970.2	1.110	4.269	100.	80.31	4.544	0.837	0.382	0.760	0.574	62.61	0.511
Spain	(Pta)	25.50	4.798	4.200	1.234	0.495	1208	1.382	5.316	124.5	100.	5.658	1.042	0.475	0.946	0.714	77.96	0.636
Sweden	(SKr)	45.07	8.480	7.422	2.181	0.875	2135	2.443	9.395	220.1	176.7	10	1.841	0.840	1.672	1.263	137.8	1.124
Switzerland	(SFr)	24.48	4.606	4.031	1.184	0.475	1160	1.327	5.103	119.5	95.99	5.431	1	0.456	0.908	0.686	74.83	0.611
UK	(£)	53.68	10.10	8.840	2.597	1.042	2543	2.910	11.19	262.1	210.5	11.91	2.193	1	1.991	1.504	164.1	1.339
Canada	(C$)	26.96	5.073	4.440	1.304	0.523	1277	1.462	5.620	131.6	105.7	5.982	1.101	0.502	1	0.755	82.42	0.673
US	($)	35.69	6.715	5.878	1.727	0.693	1691	1.935	7.440	174.3	140.0	7.918	1.458	0.665	1.324	1	109.1	0.890
Japan	(Y)	327.1	61.55	53.87	15.83	6.350	15497	17.73	68.19	1597	1283	72.58	13.36	6.094	12.13	9.165	1000.	8.160
Ecu		40.09	7.543	6.602	1.940	0.778	1899	2.173	8.357	195.7	157.2	8.895	1.638	0.747	1.487	1.123	122.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jan 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.776632	+0.001269	-3.96	6.18	27
Netherlands	2.19672	2.17770	-0.00051	-0.87	2.87	-
Germany	1.94964	1.94330	-0.00068	-0.33	2.31	-
Belgium	40.2123	40.1375	-0.0679	-0.19	2.17	1
France	6.53883	6.60651	+0.00476	1.04	0.94	-9
Denmark	7.43679	7.54750	-0.01089	1.49	0.48	-10
Portugal	192.854	195.751	+0.296	1.50	0.47	-10
Spain	154.250	157.305	-0.14	1.98	0.00	-14
NON ERM MEMBERS						
Greece	264.513	279.209	+0.176	5.56	-3.39	-
Italy	1793.19	1898.18	-0.23	5.85	-3.68	-
UK	0.786749	0.747225	+0.001674	-5.02	7.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5778	0.5758	-0.0006	0.5778	0.5735	54,320	132,534
Jun	0.5710	0.5727	-0.0009	0.5727	0.5706	875	8,442
Sep	-	0.5697	-	-	0.5694	9	287

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9220	0.9177	-0.0013	0.9230	0.9117	56,978	82,453
Jun	0.9201	0.9206	-0.0014	0.9215	0.9155	259	6,505
Sep	-	0.9230	-	-	0.9230	49	631

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.400	9.77	9.51	9.40	-	0.04	0.14
1.425	7.32	7.14	7.21	-	0.07	0.39
1.450	4.85	4.88	5.20	-	0.28	0.86
1.600	2.58	2.92	3.48	0.15	0.81	1.63
1.500	0.87	1.50	2.20	0.89	1.84	2.73
1.525	0.15	0.63	1.27	2.57	3.40	4.28

Previous day's vol., Calls 13,963 Puts 3,076 . Prev. day's open int., Calls 566,000 Puts 517,018

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6835	0.6828	-0.0006	0.6835	0.6805	18,729	37,105
Jun	0.6805	0.6816	-0.0016	0.6825	0.6795	52	579
Sep	-	0.6830	-	-	-	1	27

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5044	1.4958	-0.0096	1.5056	1.4940	23,648	45,627
Jun	1.4984	1.4910	-0.0094	1.4992	1.4560	51	1,422
Sep	-	1.4870	-	-	1.4840	1	10
Dec	-	1.4840	-	-	1.4800	7	10

WORLD INTEREST RATES

MONEY RATES

January 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7 1/4	6 13/16	6 3/4	6 5/8	6 3/8	7.40	5.25	-
week ago	7 3/8	6 7/8	7 1/8	7	6 1/4	7.40	5.25	-
France	6 3/8	6 1/2	6 3/8	6 1/4	5 7/8	6.20	-	7.75
week ago	6 1/2	6 1/2	6 3/8	6 1/8	5 3/4	6.20	-	7.75
Germany	6.50	6.05	5.85	5.65	5.35	6.75	5.75	6.00
week ago	5.98	6.05	5.80	5.60	5.30	6.75	5.75	6.00
Ireland	6	6	5 7/8	5 13/16	5 5/8	-	-	6.75
week ago	6 1/4	6	5 7/8	5 13/16	5 5/8	-	-	6.75
Italy	9 1/2	8 3/4	8 1/2	8 3/8	8	-	8.00	8.92
week ago	9	8 3/4	8 1/2	8 1/4	8	-	8.00	8.92
Netherlands	5.56	5.49	5.26	5.03	4.87	-	5.25	-
week ago	5.56	5.49	5.22	5.01	4.81	-	5.25	-
Switzerland	4 1/8	4 1/4	4 1/8	3 7/8	3 7/8	6.625	4.00	-
week ago	4 1/8	4 1/4	4 1/8	3 7/8	3 3/4	6.625	4.00	-
US	3	3 1/8	3 1/4	3 3/8	3 5/8	-	3.00	-
week ago	2 7/8	3 1/8	3 1/4	3 3/8	3 5/8	-	3.00	-
Japan	2 1/4	2 1/8	2 1/8	2	1 7/8	-	1.75	-
week ago	2 1/4	2 1/8	2 1/8	2	1 7/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3 1/4	3 1/4	3 3/8	3 7/8	-	-	-
week ago	-	3 1/8	3 1/4	3 3/8	3 7/8	-	-	-
US Dollar CDs	-	2.97	3.03	3.14	3.43	-	-	-
week ago	-	2.97	3.02	3.15	3.44	-	-	-
SDR Linked Ds	-	3 3/8	3 3/8	3 1/2	3 3/4	-	-	-
week ago	-	3 3/8	3 3/8	3 7/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	7 1/16 - 6 15/16	7 1/16 - 6 15/16	7 - 6 7/8	6 7/8 - 6 3/4	6 11/16 - 6 9/16	6 3/16 - 6 1/16
Danish Krone	6 - 5 3/4	6 3/8 - 6 1/8	6 1/2 - 6 1/4	6 3/8 - 6 1/8	6 - 5 3/4	5 5/8 - 5 3/8
D-Mark	6 1/8 - 6	6 3/16 - 6 1/16	6 1/8 - 6	5 7/8 - 5 3/4	5 5/8 - 5 1/2	5 7/16 - 5 5/16
Dutch Guilder	5 11/16 - 5 9/16	5 5/8 - 5 1/2	5 7/16 - 5 3/8	5 1/4 - 5 1/8	5 1/16 - 4 15/16	4 13/16 - 4 11/16
French Franc	6 1/2 - 6 3/8	6 1/2 - 6 3/8	6 1/2 - 6 3/8	6 5/16 - 6 3/16	6 1/16 - 5 15/16	5 5/8 - 5 1/2
Portuguese Esc.	11 - 10 3/4	10 7/8 - 10 5/8	10 3/4 - 10 5/8	10 1/2 - 10	10 1/2 - 10	10 1/4 - 9 7/8
Spanish Peseta	9 - 8 13/16	9 1/16 - 8 7/8	9 1/16 - 8 7/8	8 15/16 - 8 3/4	8 1/4 - 8 1/16	8 1/8 - 7 15/16
Sterling	6 1/2 - 5 3/8	5 5/16 - 5 3/8	5 7/16 - 5 5/16	5 7/16 - 5 3/8	5 3/8 - 5 1/4	5 5/8 - 5 7/16
Swiss Franc	4 1/4 - 4	4 1/4 - 4	4 3/16 - 4 1/16	4 - 3 7/8	3 7/8 - 3 3/4	3 11/16 - 3 9/16
Can. Dollar	3 3/4 - 3 1/2	3 13/16 - 3 11/16	3 13/16 - 3 11/16	3 15/16 - 3 13/16	3 3/4 - 3 5/8	3 15/16 - 3 13/16
US Dollar	3 1/16 - 2 15/16	3 1/8 - 3	3 1/8 - 3	3 1/4 - 3 1/8	3 1/2 - 3 1/4	3 15/16 - 3 13/16
Italian Lira	10 - 8	8 1/4 - 8 1/4	8 1/2 - 8	8 1/2 - 8	8 1/4 - 7 7/8	8 1/8 - 7 3/4
Yen	2 3/8 - 2 1/4	2 3/8 - 2 1/4	2 11/16 - 2 1/2	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/8 - 2 1/8
Asian $Sing	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	4 - 3	4 - 3	4 1/4 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.05	94.08	+0.02	94.10	94.03	23,135	126,529
Jun	94.60	94.63	+0.02	94.66	94.58	14,600	72,714
Sep	94.96	94.98	+0.01	95.02	94.93	10,103	40,334
Dec	95.23	95.22	-0.02	95.27	95.22	5,597	26,140

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.64	96.66	0.02	96.64	96.64	425	5674
Jun	96.37	96.40	0.05	96.38	96.36	933	3487
Sep	96.08	96.09	0.05	96.11	96.07	412	1017
Dec	95.70	95.72	0.06	95.74	95.70	51	456

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.39	94.43	0.06	94.44	94.38	28190	221712
Jun	94.85	94.90	0.08	94.91	94.84	35046	174894
Sep	95.15	95.20	0.06	95.22	95.15	21885	148985
Dec	95.35	95.37	0.05	95.39	95.34	9253	117779

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.76	91.79	0.02	91.82	91.74	4302	45405
Jun	92.38	92.41	0.04	92.43	92.36	2529	36501
Sep	92.77	92.79	0.02	92.82	92.76	394	22650
Dec	93.05	93.05	0.04	93.07	93.01	424	11583

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.11	96.12	0.02	96.14	96.09	5113	31590
Jun	96.43	96.43	0.02	96.44	96.38	2034	15393
Sep	96.52	96.57	0.03	96.59	96.52	278	6087
Dec	96.52	96.58	0.03	96.58	96.54	105	2001

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.94	93.98	0.02	93.99	93.93	1608	12670
Jun	94.45	94.49	0.04	94.51	94.45	485	10437
Sep	94.84	94.85	0.03	94.87	94.84	126	8447
Dec	95.15	95.15	0.04	95.15	95.15	20	5824

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.64	96.67	+0.02	96.69	96.62	44,963	425,251
Jun	96.36	96.40	+0.04	96.43	96.33	74,768	399,411
Sep	96.07	96.10	+0.04	96.14	96.03	61,162	282,822
Dec	95.70	95.73	+0.04	95.77	95.66	46,326	212,982

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.95	96.96	+0.01	96.97	96.92	3,019	27,106
Jun	96.71	96.74	+0.04	96.75	96.68	705	9,032
Sep	96.43	96.46	+0.04	96.48	96.41	640	2,842

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.21	0.67	0.97	0.03	0.02	0.02
9450	0.06	0.44	0.73	0.13	0.04	0.03
9475	0.01	0.25	0.52	0.33	0.10	0.07

Est. vol. total, Calls 16456 Puts 7922. Previous day's open int., Calls 200204 Puts 138625

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9600	0.15	0.45	0.61	0.03	0.02	0.04
9625	0.04	0.23	0.40	0.17	0.05	0.08
9650	0.01	0.09	0.23	0.39	0.16	0.16

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1399 Puts 3035

UK INTEREST RATES

LONDON MONEY RATES

Jan 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 1/2 - 3	5 5/16 - 5	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 3/8 - 5 1/4	5 5/16 - 5 3/16
Sterling CDs	-	-	5 11/32 - 5 9/32	5 11/32 - 5 9/32	5 1/4 - 5 3/16	5 7/32 - 5 5/32
Treasury Bills	-	-	5 5/16 - 5 1/8	5 - 4 15/16	-	-
Bank Bills	-	-	5 5/16 - 5 1/4	5 5/16 - 5 1/16	5 - 4 31/32	-
Local authority deps.	6 1/16 - 5 15/16	5 1/2 - 5 3/8	5 1/2 - 5 3/8	5 7/16 - 5 3/8	5 3/8 - 5 1/4	5 3/8 - 5 1/4
Discount market deps.	5 1/4 - 3	5 1/8 - 5	-	-	-	-

UK clearing bank base lending rate 5 1/2 per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 3/4	4 1/4	4	3 3/4	3 3/4

Certs of Tax dep. under £100,000 is 2 1/4pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.8849pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5 1/2pc from Jan 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.68	94.73	0.06	94.75	94.68	16520	107392
Jun	94.88	94.93	0.06	94.96	94.88	17557	114758
Sep	94.91	94.95	0.05	94.97	94.90	5609	58135
Dec	94.88	94.90	0.04	94.94	94.86	6402	70680

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.26	0.47	0.55	0.03	0.04	0.10
9475	0.09	0.27	0.36	0.11	0.09	0.16
9500	0.02	0.14	0.22	0.29	0.21	0.27

Est. vol. total, Calls 8060 Puts 1117. Previous day's open int., Calls 147579 Puts 135850

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	6.5
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai.	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES - Gross: Contractual rate of interest payable, taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £129[illegible] £139½ 139[illegible] 140[illegible]
Exchequer 10½% Stk 2005 - £132½ 132[illegible]

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £31½ (24Ja94)

[illegible]

ECC Group PLC 6½% Cnv Bds 2003(Br£1000&10000) - £111 (26Ja94)
Elf Enterprise Finance PLC 8¾% Gtd Exch Bds 2006 (Reg £5000) - £108¾ 9 (26Ja94)
Elf Enterprise Finance PLC 8¾% Gtd Exch Bds 2006(Br£5000&100000) - £108⅞ 7⅞ (26Ja94)
Far Eastern Textile Ld 4% Bds 2006(Br$10000) - $127 (24Ja94)
Finland(Republic of) 3¾% Nts 1997 (Br£ Var) - £111[illegible]
Finland(Republic of) 10⅛% Bds 1997(Br£1000&10000) - £111¼ (21Ja94)
Finland(Republic of) 10⅛% Bds 2008(Br£1000&10000) - £124¾ (25Ja94)
Foreign & Col. Pacific Inv Tst PLC 3% Cnv Bds 2000 (Br Y1000000) - Y113¼ 113½ (24Ja94)
Forte PLC 8⅜% Bds 1997 (Br £5000) - £105⅛ 6.6375
Guaranteed Export Finance Corp PLC 7¼% Gtd Nts 1998 (Br £ Var) - £105¼
Guaranteed Export Finance Corp PLC 9¼% Gtd Bds 2008 (Br £ Var) - £122¼ (21Ja94)
Guaranteed Export Finance Corp PLC 10⅝% Gtd Bds 2001 (Br£Var) - £124⅜ (25Ja94)
Guinness PLC 10⅝% Nts 1997 (Br £1000 & 10000) - £113[illegible]
Halifax Building Society 7¾% Nts 1998 (Br £ Var) - £105⅞ 6⅛ ⅛ ⅜
Halifax Building Society 11% Subord Bds 2014(Br£10000&100000) - £133⅞ (21Ja94)
Halifax Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £105 105⅛ (26Ja94)
Hanson PLC 9½% Cnv Subord 2006 (Br £Var) - £125¼ ½
Hanson Trust PLC 10% Bds 2006 (Br£5000) - £119¼
Hydro-Quebec 6.50% Debs Sers IK 1998(Reg £ Vars) - £100⅜
Imperial Chemical Industries PLC 10% Bds 2003(Br£1000&10000) - £119⅞ 20 (21Ja94)
Imperial Chemical Industries PLC 11¼% Bds 1995(Br£5000) - £105½ ⅝ (26Ja94)
International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £122.365 (26Ja94)
International Bank for Rec & Dev 10⅛% Nts 1999 (Br£5000) - £118⅛
International Bank for Rec & Dev 11⅛% Nts 2001(Br£1000&10000) - £126⅜ (24Ja94)
International Bank for Rec & Dev 11¼% Nts 1995(Br£1000) - £107 (24Ja94)
Italy(Republic of) 10½% Bds 2014 (Br£10000&50000) - £130¼

Japan Development Bank 6⅞% Gtd Bds 1999 (Br $ Var) - $106.2
Japan Development Bank 7% Gtd Bds 2000 (Br £ Var) - £105.575 (26Ja94)
Kansai Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £104⅜ (25Ja94)
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £107¾
Land Securities PLC 6¾% Cnv Bds 2004 (Br£5000&50000) - £135⅛ ⅝ (24Ja94)
Lasmo PLC 7¼% Cnv Bds 2005(Br£1000&10000) - £93 (21Ja94)

[illegible]

Tesco PLC 10⅜% Bds 2002 (Br £Var) - £120½
Tesco Capital Ld 9% Cnv Cap Bds 2005(Reg £1) - £126.19 ¼ ½ ¾
Tesco Capital Ld 9% Cnv Cap Bds 2005(Br£5000&10000) - £127¼ф
Thames Water PLC 9½% CnvSubordBds 2006(Br£5000&50000) - £154ф
Toyota Motor Corporation 5.625% Bds 1998 (Br $ Var) - $101⅞ (24Ja94)
Treasury Corporation of Victoria 8¾% Gtd Bds 2003 (Br £ Var) - £111[illegible] ¾
Tung Ho Steel Enterprise Corp 4% Bds 2001(Br$10000) - $119¼ 120 (26Ja94)
Unilever PLC 7⅜% Nts 1998 (Br £ Var) - £108¼ .3 (25Ja94)
United Kingdom 7¼% Bds 2002(Br$Var) - $108⅞ф
Victorian Pblc Athrs Fin Agency 9⅝% Gtd Bds 1999(Br£Vars) - £114⅜ (21Ja94)
Woolwich Building Society 11⅝% Subord Nts 2001 - £123⅜ ⅞ 4¼ (26Ja94)
Finnish Export Credit Ld DM200m 8% Nts 6/11/95 - DM104.15
Finland(Republic of) $250m 4.5% Instruments 23/9/96 - $100.35 (26Ja94)
Sires Ld $13m 6% Variable Red Sec Nts 1996 - $95.7 (25Ja94)
Sweden(Kingdom of) £600m 7½% Nts 3/12/97 - £105¼ (24Ja94)
Sweden(Kingdom of) £250m 7% Instruments 23/12/98 - £104⅜ (21Ja94)
Sweden(Kingdom of) £350m 7⅜% Bds 28/7/2000 - £106.92

Sterling Issues by Overseas Borrowers

Australia(Commonwealth of) 9½% Ln Stk 2012(Reg) - £122
Australia(Commonwealth of) 13.5% Ln Stk 2010 - £157½ 60⅝ (24Ja94)
Bank of Greece 10¾% Ln Stk 2010(Reg) - £120½ф 1ф
Bank of Greece 10¾% Ln Stk 2010(Br) - £119
Barbados (Government of) 13½% Ln Stk 2015 (Br £5000) - £129½
Denmark(Kingdom of) 13% Ln Stk 2005 - £149½ (21Ja94)
European Investment Bank 9% Ln Stk 2001 (Reg) - £115⅞ (21Ja94)
European Investment Bank 9½% Ln Stk 2009 - £125[illegible] 6[illegible]

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Brixton Estate PLC 5% Cum Prf 50p - 29 (25Ja94)
Brixton Estate PLC 10⅝% 1st Mtg Deb Stk 2012 - £133 ⅛ (21Ja94)
Bulgin(A.F.) & Co PLC Ord Shs 5p - 57 (25Ja94)
Bullers PLC 6% Cum Prf £1 - 19 (25Ja94)
Bulmer(H.P.)Hldgs PLC 8¾% 2nd Cum Prf £1 - 122
Bulmer(H.P.)Hldgs PLC 9½% Cum Prf £1 - 124 (21Ja94)
Bunzl PLC 7% Cnv Uns Ln Stk 95/97 - £104
Burmah Castrol PLC 7¼% Cum Red Prf £1 - 76½
Burmah Castrol PLC 8% Cum Prf £1 - 84
Burton Group PLC 8% Cnv Uns Ln Stk 1996/2001 - £102 3 3 4 5
Butte Mining PLC Wts to Sub for Ord - 1
Butte Mining PLC 10% (Net) Cnv Cum Red Prf 1994 10p - 3
CRH PLC 7% "A" Cum Prf Ir£1 - 72¼
Cattyns PLC 6½% Cum 1st Prf £1 - 71 (25Ja94)
Cambridge Water Co Cons Ord Stk - £8000
Carlisle Group PLC 4.38% (Net) Red Cnv Prf 1996 £1 - 80 (24Ja94)
Carlton Communications PLC ADR (2:1) - $30
Carlton Communications PLC 7½% Cnv Subord Bds 2007(Reg £5000) - £158 (26Ja94)
Casket PLC 10.25% Cum Prf £1 - 125 (25Ja94)
Caterpillar Inc Shs of Com Stk $1 - £84⅞
Cementone PLC Wts to Sub for Ord - 32
Charlwood Alliance Hldgs Ld 7½% Uns Ln Stk 50p - 41½ф
Cheltenham & Gloucester Build Soc 11¾% Perm Int Bearing Shs £50000 - £134 ¼ (25Ja94)
Chester Waterworks Co Ord Stk - £8200ф
Chillington Corporation PLC 9½% Cum Red Prf £1 - 95

[illegible]

Ransomes PLC 8.25p (Net) Cum Cnv Prf 12.5p - 61½ 2½ 3 3 4 4 ½‡ 5 5
Reckitt & Colman PLC 5% Cum Prf £1 - 58 (24Ja94)
Reed International PLC 3.15%(Fmly 4½%) Cum Red Prf £1 - 56 (26Ja94)
Regis Property Hldgs PLC 8¾% Gtd Uns Ln Stk 1997 - £99 (24Ja94)
Renold PLC 7⅝% 2nd Deb Stk 92/97 - £99⅞ (26Ja94)
Retail Corporation PLC 4.55% (Fmly 6½%) Cum Prf £1 - 68 70 (24Ja94)
Retail Corporation PLC 4.55% (Fmly 6½%) Cum 3rd Prf £1 - 68 70 (24Ja94)
Rodime PLC ADS - $0.67 0[illegible]
Ropner PLC 11½% Cum Prf £1 - 135
Royal Bank of Scotland Group PLC 11% Cum Prf £1 - 125
Royal Insurance Holdings PLC 7¼% Cnv Subord Bds 2007 (Br £ Var) - £130¼ ½
Rubicon Group PLC 6% Cum Prf 50p - 25 (25Ja94)
Rugby Group PLC 6% Uns Ln Stk 93/98 - £98
SCEcorp Shs of Com Stk of NPV - $18.989356ф

[illegible]

Wagon Industrial Hldgs PLC 7.25p (Net) Cnv Ptg Prf 10p - 147 8 (25Ja94)
Walker Greenbank PLC 6½% Cnv Cum Red Prf 25p - 150 (21Ja94)
Walker(Thomas) PLC Ord 5p - 24 (26Ja94)
Warburg (S.G.) Group PLC 7⅜% Cum Prf £1 - 114 (25Ja94)
Warburg (S.G.) Group PLC Cnv Dfd 25p - 736 8
Walmoughs(Hldgs) PLC 8¼% Cum Red Prf 2006 £1 - 114 (24Ja94)
Wellcome PLC ADR (1:1) - $9⅞ .999667 10
Wells Fargo & Company Shs of Com Stk $5 - $131¼ (24Ja94)
Wereldhave Property Corp PLC 9.5% 1st Mtg Deb Stk 2015 - £117½ (21Ja94)
Westland Group PLC Warrants to sub for Ord - 188 90 1 4 7 8 9 200 1 5 5 6‡ 7
Westland Group PLC 7½% Cnv Cum Prf £1 - 333 40 1
Westland Group PLC 12⅜% Deb Stk 2008 - £136¼ (26Ja94)
Whitbread PLC 4½% 1st Cum Prf Stk £1 - 53
Whitbread PLC 7¼% Uns Ln Stk 85/89 - £103

Investment Trusts

[illegible]

Ticketing Group PLC 7.75% Cnv Cum Red Prf £1 - 61 (25Ja94)
Total Systems PLC Ord 5p - 45

Rule 535(2)

Amalgamated Metal Corp PLC Ord £1 - £1 (24Ja94)
Ann Street Brewery Co Ld Ord £1 - £3½
Armitage & Rhodes PLC Ord 10p - £0.14
Amos Village Ld Ord 10p - £0.29 0.31 (21Ja94)
Aston Villa Football Club PLC Ord £5(1 vote) - £42
Barclays Investment Fund(C.I.) Sterling Bd Fd - £0.492
Blocure Holdings PLC Ord 1p - £0.55 (25Ja94) 0.55
Brakspear(W.H.)& Sons PLC Ord 25p - £2 (21Ja94)
Brockbank Group PLC Ord 10p - £1.3 (24Ja94)
Calfhaven PLC Ord 5p - £0.2 0.24 (26Ja94)
Channel Islands Coms (TV) Ld Ord 5p - £0.8 (25Ja94)

[illegible]

Killinghall (Malaysia) RM4.398362ф (28.1)
Kulim Malaysia $1ф85 (24.1)
Lawter Intl. $13.084562 (25.1)
Leighton Hldgs. $2.16
Mogul Mining A$0.326 (25.1)
Nampak £16⅞ (25.1)
Niugini Mining A$6.068
North Flinders Mines A$11.498366
Oil Search 47.47½
Palabora Mining R84 (24.1)
Petroleum Secs. Aust. 30 (25.1)
Plenty River Mining A$0.051818
Regal Hotels HK$2.1678
Rutgerswerke DM360½
Selangor Properties 49
Singapore Land S$6.3333,6.4729
Valiant Consolidated 19 (26.1)
Walhalla Mining Co. 6 (25.1)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Strong close as base rate optimism reappears

By Terry Byland,
UK Stock Market Editor

Good news on inflation in the US brought a dramatic turnaround in the UK securities markets yesterday, with the stock market replacing an early loss of 24 points on the FT-SE scale with a gain of similar proportions as the two week trading account closed. Government bonds gained more than half a point, the shorter dates edging higher as interest rate optimism revived.

But there was little recovery for shares in Sainsbury, Britain's premium-rated food retailer, which fell by more than 10 per cent in the heaviest turnover for two years following a trading statement from the boardroom.

Food retailing and manufacturing stocks were hit by Sainsbury's statement, which also deepened the market's doubts over the progress of the recovery in the UK. The Footsie dipped to the 3,403 area, but dealers were relieved to see this potentially testing level hold secure. Securities markets made little response to news of Britain's non-EU trade deficit of £675m in December. Although this was above expectations, the market remained uninterested in the trade deficit.

There was no genuine rally in London until the announcement that US Gross Domestic Product had risen by an annualised 5.9 per cent in the 1993 fourth quarter, while the fixed weight price deflator had gained only 1.3 per cent – barely half the gain feared by some analysts.

Markets interpreted this as a sign that, with the US economy expanding strongly while inflation remains subdued, the Federal Reserve was now less likely to raise US interest rates. UK gilts followed sharp gains in Federal bonds, and share prices quickly turned higher as increased volume levels showed themselves on the trading screens in the City's dealing rooms.

At the close, the FT-SE Index stood at 3,447.4, a net gain on the day of 20.1 points. The recovery was spurred by further buying as the stock market moved into its new trading account. Over the two week account, the Footsie has risen by around 1.4 per cent, but gains were sharply cut back this week, when the Index lost 36.8 as some gloomy reports from the retailing sector undermined the confidence shown over Christmas.

Yesterday's abrupt recovery was slow to spread across the full range of the market, however. The FT-SE Mid 250 Index, still plagued by fears that more expiries of individually structured options contracts are pending, closed down 10.6 at 4,065.8.

Renewed optimism for an early cut in UK base rates brought strong rises in bank shares and helped some of the retail stocks which had suffered earlier in the week. Building stocks turned higher as attention focused on next week's meeting of the Bundesbank policy council.

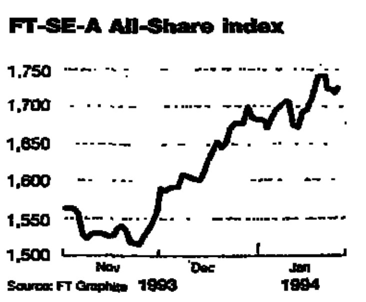
But the implications of Sainsbury's statement lay heavily across the brewery and food-related sectors, where nervousness over profit margins has been unsettling investors for some months.

Trading volume increased as the market recovered, and number of shares traded through the Seaq electronic network reached 1.14bn. On Thursday, 972.5m shares traded through Seaq for a retail worth of £2bn, well above the daily average for the past year. Traders admitted that the consumer sectors were likely to remain overshadowed by this week's mixed set of trading results from leading companies but believed that confidence had improved across the wider range of the stock market.

Account Dealing Dates		
*First Dealings: Jan 17	Jan 31	Feb 14
Option Declarations: Jan 27	Feb 10	Feb 24
Last Dealings: Jan 28	Feb 11	Feb 25
Account Day: Feb 7	Feb 21	Mar 7

*New time dealings may take place from two business days earlier.

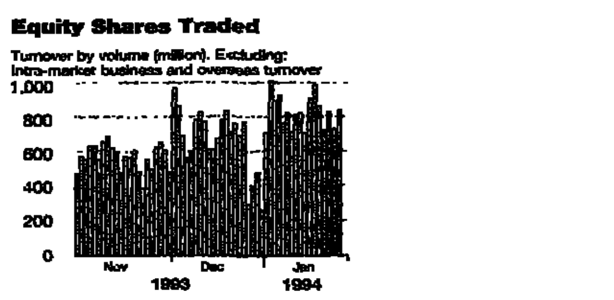
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	4065.8	-10.6
FT-SE-A 350	1741.6	+6.8
FT-SE-A All-Share	1727.31	+6.52
FT-SE-A All-Share yield	3.28	(3.29)
FT Ordinary index	2639.9	+12.6
FT-SE-A Non Fins p/e	22.59	(22.50)
FT-SE 100 Fut Mar	3468.0	+41.0
10 yr Gilt yield	6.24	(6.32)
Long gilt/equity yld ratio:	2.05	(2.05)

FT-SE 100 Index	
Closing index for Jan 28	3447.4
Change over week	-36.8
Jan 27	3427.3
Jan 26	3436.1
Jan 25	3444.0
Jan 24	3481.4
High*	3487.4
Low*	3403.3

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	33,000	58½	-3½	Lonrho	9,300	155	+½
Abbey National†	3,800	498	-6	Lucas	3,200	214	+1
Albert Fisher	3,000	70	-1	MEPC†	913	540	+12
Allied-Lyons†	3,100	637	-11	MFI	4,800	176	-4
Anglian Water†	3,300	572	+6	Manweb	432	785	-4
Argos	1,600	385	+8	Marks & Spencer†	6,100	438½	+10
Argyll Group†	11,000	268	-14	Midlands Elect.	588	744	+3
Arjo Wiggins†	1,900	279	-2	Morrison (Wm.)	1,600	109	-6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. †Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

A squeeze brought a sharp advance in Footsie futures on the last day of the equity account, *writes Joel Kibazo.*

Dealers attributed the early weakness in the March contract on the FT-SE 100 to "squaring of the books" and the contract fell to its low of 3,413 within the first hour of trading.

A slow and tentative rally soon prised the big institutions from the sidelines and that demand turned into a squeeze sending March further ahead. The release of favourable figures on US inflation not only brought another bout of hectic demand but also helped bring a turnaround in the fortunes of the underlying cash market. At the day's peak the contract showed a premium of 20 points to cash.

It finished at 3,466, around 11 points ahead of its fair value premium to cash of about 7 points with volume at 16,304.

Volume in the traded options improved to 54,074 of which 16,918 was dealt in the FT-SE 100 option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3424.0	3468.0	41.0	3474.0	3413.0	16372	65831
Jun	3441.0	3483.0	41.0	3441.0	3441.0	274	8565
Sep	3496.0	3500.0	41.0	3496.0	3496.0	50	300

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3448) £10 per full index point

	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P
Feb	[illegible]															152½
Mar	[illegible]															163½
Apr	245½	27½	205	37	168	51	134	68½	106	87½	80	112	58½	141½	43	176½
May	282½	40½	224½	52	188	65½	156½	83½	126½	103½	101½	128	80½	158	61	190
Jun†			241	62			173	93½			116½	137½			73	195

Calls 7,041 Puts 9,315

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Feb	201½	5½	155½	9½	113½	18	76½	30	47	52½	27	80½	14	117½	6	159½
Mar	211½	19½	178½	28½	133	40½	100	57	72½	79	50½	106½	33½	139	21	176½
Apr			185½	42			119½	74½			70	124			37	190
Jun			229	65½			158	101			107½	148½			68½	207½
Sept†			260½	91½			200	127			149	172½			107½	227½

Calls 2,194 Puts 2,861 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday January 28 1994

Building & Construction	+12.81	FT-SE Mid 250	+7.24	FT-SE-A 350	+2.28
Engineering, Vehicles	+12.71	Extractive Inds	+7.21	Investment Trusts	+2.21
Printing, Paper & Pckg	+12.65	Diversified Inds	+5.88	Financials	+2.03
Leisure & Hotels	+11.34	Transport	+4.85	Mineral Extraction	+2.02
FT-SE SmallCap ex IT	+9.91	Chemicals	+4.59	Utilities	+1.08
Media	+9.89	Electronic & Elec Equipt	+4.31	FT-SE 100	+0.85
Oil Exploration & Prod	+9.35	Life Assurance	+4.29	Oil, Integrated	+0.56
Distributors	+9.19	Breweries	+4.05	Consumer Goods	+0.23
Support Services	+8.95	Gas Distribution	+3.58	Banks	-0.28
FT-SE SmallCap	+8.80	Property	+3.45	Telecommunications	-0.62
Merchant Banks	+8.37	Electricity	+3.26	Water	-0.76
Textiles & Apparel	+8.08	Food Manufacturers	+2.98	Household Goods	-1.81
Engineering	+7.98	Non-Financials	+2.84	Pharmaceuticals	-2.38
FT-SE Mid 250 ex IT	+7.89	Insurance	+2.81	Retailers, Food	-4.06
Building Materials & Mchts	+7.61	FT-SE-A All-Share	+2.58	Tobacco	-4.97
Gen Manufacturers	+7.32	Services	+2.53	Retailers, General	-6.31
Health Care	+7.32	Spirits, Wines & Ciders	+2.47	Gold Mines Index	-14.63

FT - SE Actuaries Share Indices — The UK Series

	Jan 28	Day's chge%	Jan 27	Jan 26	Jan 25	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		1993/94 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	[illegible]						3.42	5.10	24.36	2.39	1283.63	3494.2	21/1/94	2737.6	19/1/93	3494.2	21/1/94	986.9	23/7/84
FT-SE Mid 250	[illegible]						3.00	4.89	36.21	7.21	1477.21	4148.8	19/1/94	2878.3	13/1/93	4148.8	19/1/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	[illegible]						3.09	5.02	24.71	7.37	1475.95	4160.7	19/1/94	2874.6	1/1/93	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	[illegible]						3.32	5.00	24.77	1.84	1307.72	1760.6	19/1/94	1348.7	19/1/93	1760.6	19/1/94	664.5	14/1/86
FT-SE SmallCap	[illegible]						2.70	3.39	37.90	1.91	1542.87	2035.54	25/1/94	1377.88	4/1/93	2035.54	25/1/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	[illegible]						2.85	3.74	35.10	2.09	1519.21	2003.68	25/1/94	1390.06	4/1/93	2003.68	25/1/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	[illegible]						3.28	4.89	25.37	1.83	1319.97	1743.78	19/1/94	1330.19	19/1/93	1743.78	19/1/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Sainsbury slumps on statement

A shock trading statement from J. Sainsbury sent the shares tumbling to their biggest ever one-day fall as turnover hit a record 24m. In a sector getting used to depressing news, the Sainsbury announcement of lower margins, slack sales and property write-downs still came as a huge blow and flew in the face of what the market had been widely anticipating.

"It's an unmitigated disaster," said Mr Frank Davidson at James Capel. "These figures show Sainsbury is performing worse than the competition and raises the question: is it worth its premium rating?" The answer from investors seemed to be 'no'as the shares came under immediate pressure, tumbling 30 as the market opened and finally closing at 393p, a drop of 48 on the day. And with Sainsbury giving what amounted to a profits warning, analysts slashed their forecasts, by around 15 per cent to about £700m.

The announcement shook food retail analysts, many of whom had only recently begun to relax their negative stance on the sector. Yesterday, Sainsbury's more recent supporters were hard to find. But one, who preferred to remain anonymous, argued that the announcement showed margin pressure was easing.

However, the market focused on the perception of dramatically lower earnings growth and slower dividend gains. In turn, many switched their attention to Sainsbury's competitors. Capel's calculates that on 1995 forecast, Sainsbury yields 3.5 per cent, Tesco 4.7 per cent and Argyll 5.8 per cent. Tesco shares rallied to close just a half-penny off at 222½p in turnover of 18m. Argyll fell 14 to 268p.

Internationals helped

Stronger than expected fourth-quarter GDP figures from the US undermined fears that interest rates there would rise and helped UK stocks traded in New York.

Pharmaceutical group Wellcome rose 9 to 675p in spite of continuing concern over the *expected results of* a huge Anglo French study into the Aids treatment AZT and high court proceedings against the company and a US government agency over claimed toxic effects of the drug.

And BP gained 2 to 367p in spite of a change of sentiment on the oil major from US investors. Leading international conglomerate Hanson improved 5¼ to 284p.

However, Glaxo fell 2 to 663p. The group faces a patent challenge in German over its ulcer treatment Zantac. And an article in the Lancet medical journal focused on the clear up rate for duodenal ulcers after seven years, which would be better for the patient than for Zantac sales.

NatWest Securities was the big buyer of both classes of BT tock, as the broker emphasised their attractions saying they had underperformed the market by 10 per cent over the last quarter.

NatWest focused on BT's yield premium which it puts at nearly 30 per cent and emphasised its dividend growth forecasts for 1994 and 1995. The broker said the shares have been restrained by worries about the second instalment on the new shares and would respond to news emerging with the third quarter figures on February 10. The ordinary shares jumped 9¼ to 467½p, on heavy turnover of 14m with the partly-paid moved up a similar amount to 209p.

Water shares

Water shares were among the market's best performers with the shares responding to renewed hopes of imminent interest rate cuts in the UK, which would focus market attention on the well above average yields available in the sector.

There was also an additional boost for the sub-sector as marketmakers were thought to have been alerted to stories that S.G. Warburg might be about to publish a strong buy note on the sector. And the market was alive with hints that many fund managers were switching out of the consumer sectors, such as breweries and food retailing where there are threats to dividend growth prospects, into the strong income areas such as waters *and electricity stocks.*

Premium water stocks raced higher on the Warburg push. Anglian added 6 to 572p, North West 16 to 578p, Severn Trent 14 to 610p and Thames 16 to 592p.

Kleinwort Benson was responsible for driving National Power up 10 to 485p, while the market's big income funds continued to chase Scottish Hydro, which raced up 16 to 465p and Scottish Power put on 17½ to 474½p.

Food manufacturers were under pressure from the Sainsbury news as investors fretted over the impact on suppliers of tighter retailing margins. Among those hit, Unigate fell 16¼ to 392½p, United Biscuits 9 to 369p and Northern Foods 15 to 232p.

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (278).

GILTS (1) BANKS (5) ANZ, First Natl Fnace 7pc Cv. Pf., Natl. Australia, Royal Bk. of Scotland, Westpac, BREWERIES (2) Vaux, Wetherspoon (J.D.), BUILDING & CNSTRN (10) BLDG MATLS & MCHTS (5) Alumasc, Amberley, British Dredging, Grafton Grp, Lafarge Coppee, Wickes, CHEMICALS (1) Perstorp AB B, DISTRIBUTORS (14) DIVERSIFIED INDLS (5) Antofagasta, Charter, Hanson Warrants, Pacific Dunlop, Western Mining, ELECTRICITY (7) East Midlands, London, Midlands, Norweb, Seeboard, South Wales, Yorkshire, ELECTRNC & ELECT EQUP (10) Chloride, Control Techniques, Druck, Electrolux, Fujitsu, Kenwood Appliances, Psion, Scholes, Sony, Volex, ENGINEERING (22) ENG, VEHICLES (3) Motor World, Trinity, Volvo AB 'B', EXTRACTIVE INDS (3) FOOD MANUF (4) Global Grp., IAWS Grp 'A', John Lusty, Nestle' SA. HEALTH CARE (5) Associated Nursing Servs., Biotrace Intl, Court Cavendish, M.L. Labs, UniChem, HOUSEHOLD GOODS (6) INSURANCE (4) Bradstock, Domestic & General, Lowndes Lambert, Nelson Hurst, INVESTMENT TRUSTS (53) INVESTMENT COMPANIES (15) LEISURE & HOTELS (5) Boosey & Hawkes, Ex-Lands, G.R., PizzaExpress, Stakis, LIFE ASSURANCE (1) Trans B 6pc Cv Pf, MEDIA (18) MERCHANT BANKS (2) Warburg (S.G.), Wintrust 20p, OIL EXPLORATION & PROD (2) Edinburgh Oil & Gas, Victoria Petroleum, OTHER FINANCIAL (5) OTHER SERVS & BUSNS (5) Attwoods, Filofax, Scapa, PHARMACEUTICALS (1) Elan, PRTNG, PAPER & PACKG (5) Lawson Mardon, Portals, Regent A, PROPERTY (17) RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (6) Brown (N), Cantors, MFI Furniture, Partridge Fine Arts, Rosebys, Signet Cv Cm Rd Prf, SPIRITS, WINES & CIDERS (1) Seagram, SUPPORT SERVS (7) TELECOMMUNICATIONS (2) Securicor 'A' N-V, Security Services, TEXTILES & APPAREL (4) Abbeycrest, Allied Textile, Leslie Wise, Parkland, TRANSPORT (5) Mayne Nickless, National Express, P & O Dfd, Stagecoach, Ugland Intl, WATER (4) Bristol Water, Cheam Group A, Do. B, East Surrey Hldgs, CANADIANS (3) Bank of Montreal, Royal Bk. Can., Toronto-Dom Bank.

NEW LOWS (13).

GILTS (8) BLDG MATLS & MCHTS (1) Needler, DISTRIBUTORS (1) Intl Food Machinery, HEALTH CARE (1) Haemocell, INVESTMENT TRUSTS (1) EZW Endowment Fd, OTHER FINANCIAL (1) Policy Portfolio, TEXTILES & APPAREL (3) Butlers, Cupid, Horace Small.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Antofagasta	1525	+	50
British Steel	139	+	6½
Cooper (F)	118	+	8
Cosalt	146	+	6
Drew Scientific	70	+	7
Europa Minerals	54	+	12
GR (Hldgs)	69	+	10
Johnson Firth Br	46	+	3½
Paterson Zoch A	465	+	32
Radio Clyde	528	+	33
Real Time Cntrl	103	+	10
Torex Hire	56	+	6½
Vega	240	+	17
Verson Intl	24½	+	3¼
Vinten	509	+	23
Wintrust	360	+	30
Falls			
BTP	343	–	13
Brandon Hire	52	–	7
Cupid	23	–	7
Eidos	270	–	15
Haynes Publ	488	–	27
Kwik Save	593	–	27
Policy Portfolio	83	–	5
Sainsbury (J)	393	–	48

Calls to reassure city analysts helped TI Group recover from a sharp fall early in the session. The retreat followed reports in the French press of problems in the landing gear in one Airbus 330 operated by Air Inter, that led to the suspension of flights using the aircraft. At the day's worst the shares were down 20 at 395p, but recovered to close 7 off at 408p, on volume of 1.9m.

Market watchers were cheered by encouraging news on the new Rolls-Royce Trent 800 jet engine. The shares firmed a penny to 184p, on volume of 5m.

Shares in Smiths Industries *gave up 12 to 474p, after James* Capel trimmed its profits estimate for the year to July 1995. A large line of stock was also said to be overhanging the shares.

A spate of downgradings following a series of city presentations on Thursday brought a sharp fall for international trading group Inchcape. The shares surrendered 21 to 586p, as BZW and Nomura reduced current profits expectations.

Courtaulds Textiles moved ahead 19 to 555p after announcing that it had bought most of the stockings and tights business of Hartstone, the leather and consumer goods group for £45.4m. Hartstone shares closed 2 lower at 68p.

Other statistics, Page 9,19

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AUTHORISED UNIT TRUSTS

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS Dealing 071-280 2860

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	208.0	208.0xd	221.2	-1.30	0.00
(Accum Units)	5	222.3	222.3xd	236.4	-1.20	0.00
American Opps	5	92.60	93.02	99.22	-1.51	0.00
(Accum Units)	5	93.78	94.13	100.4	-0.48	0.00
British Blue Chip	5	85.29	85.29	90.81	-0.52	2.78
(Accum Units)	5	102.6	102.6	109.2	-0.60	2.78
Cash *	0	100.2	100.2xd	100.2	—	5.01
(Accum Units) *	0	132.8	132.8xd	132.8	—	5.00
Emerging Markets	5¼	138.8	138.8	149.2	-0.50	0.00
(Accum Units)	5¼	138.8	138.8	149.2	-0.50	0.00
European Growth	5	250.9	250.9	265.9	-0.40	0.60
(Accum Units)	5	270.1	270.1	286.3	-0.40	0.60
European Income	5	88.33	86.33xd	91.43	-0.18	2.67
(Accum Units)	5	113.0	113.0xd	119.7	-0.20	2.67
General	5	559.8	558.8	597.0	-3.40	2.03
(Accum Units)	5	1071	1071	1142	-7.00	2.03
Global Bond	5	134.2	134.2	141.2	-0.60	5.64
(Accum Units)	5	154.8	154.8	162.6	-0.70	5.64
Govt Securities	3	102.6	102.6xd	105.7	-0.3	6.73
(Accum Units)	3	190.1	190.1xd	196.0	-0.50	6.73
Gold & General	5¼	184.7	197.2	212.0	-5.90	0.44
(Accum Units)	5¼	199.0	201.8	216.8	-6.00	0.44
Income	5	168.4	168.4	179.2	-0.70	3.80
(Accum Units)	5	251.8	251.8	267.9	-1.30	3.80
International	5	481.9	482.0	492.8	-1.40	0.57
(Accum Units)	5	616.0	616.2	657.3	-1.80	0.57
Japan	5	184.6	184.6	196.7	-1.10	0.00
(Accum Units)	5	189.5	189.5	200.9	-1.20	0.00
MAMPI Growth	6	108.1	108.1	116.8	-0.70	1.29
(Accum Units)	6	108.1	108.1	116.8	-0.70	1.29
MAMPI Income	6	104.0	104.0	111.6	-0.10	3.92

Pembroke Administration Ltd (0800)F
18-19 Southwood St, London WC1R 4PZ 071-430 0558

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Pembroke Growth	5	183.09	185.58	197.74	+0.08	1.81
Pembroke World Acc	6	78.31	79.05	84.10	-0.19	0.33
Pembroke Balanced	6	188.92	189.10	202.43	+0.15	2.59
Pembroke Income	6	111.20	112.31	119.61	+0.05	4.03

Perpetual Unit Tst Mngmt (1600)F
48 Hart Street, Henley on Thames 0491 417000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Grth	5¼	816.39	818.17	861.15	-1.38	0.28
Income	5¼	372.08	372.08	398.79	-0.65	2.41
W'wide Recovery	5¼	385.80	387.29	414.32	-0.54	0.01
American Growth Inc	5¼	232.25	232.86	248.84	-0.70	0.01
American Growth Acc	5¼	232.25	232.81	248.84	-0.40	0.01
Intl Emerging Cos	5¼	260.13	261.41	279.59	-1.04	0.01
Far Eastern Growth Inc	5¼	304.04	309.43xd	330.95	-1.44	0.01
Far Eastern Growth Acc	5¼	304.04	309.43	330.95	-1.44	0.01
European Grwth Inc	5¼	144.30	145.57xd	155.89	+1.31	0.58
European Grwth Acc	5¼	144.30	145.57	155.89	+1.31	0.58
UK Growth Inc	5¼	94.22	94.51	101.09	+0.02	2.08
UK Growth Acc	5¼	94.22	94.51	101.09	+0.02	2.08
High Income	5¼	101.87	101.93xd	108.92	-0.15	3.52
Japanese Grwth Inc	5¼	217.47	217.47	231.15	-2.32	0.01
Japanese Grwth Acc	5¼	217.47	217.47	231.15	-2.32	0.01
PEP Growth	5¼	122.88	123.28	131.88	-0.08	0.82
Asian Smllr Mkts Inc	5¼	144.17	147.22xd	157.48	+1.90	0.01
Asian Smllr Mkts Acc	5¼	144.17	147.22	157.48	+1.90	0.01
American Smaller Cos Inc	5¼	140.08	141.33	151.18	-0.31	0.01
American Smaller Cos Acc	5¼	140.08	141.33	151.18	-0.31	0.01
Global Bond	3¼	65.15	65.15	68.83	-0.17	5.70
UK Smaller Cos Inc	5¼	81.79	83.06	88.80	-0.05	0.65
UK Smaller Cos Acc	5¼	83.55	86.17	92.17	-0.08	0.55

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (1200)F						
Charlton Pl, Andover, Hants, SP10 1RE 0264 345794						
TSB American	6	229.25	229.20	242.82	+1.12	-
Do Accum	6	251.41	251.41	267.40	+1.25	-
TSB Gilt Growth	6	101.56	101.55	108.83	-0.38	1.55
Do Accum	6	120.25	120.23	127.93	-0.46	1.55
TSB European	6	111.68	111.68	118.81	+0.66	0.08
Do Accum	6	118.69	118.69	126.26	+0.72	0.08
TSB Extra Income	6	224.80	224.88	238.71	-0.37	3.36
Do Accum	6	382.71	387.64	391.10	-0.60	3.36
TSB Smaller Cos	6	78.70	80.98	86.15	-0.10	0.64
Do Accum	6	87.50	90.02	95.77	-0.11	0.64
TSB General	6	[illegible]	312.51	[illegible]	-1.36	1.93
Do Accum	6	[illegible]	[illegible]	[illegible]	-2.74	1.93
TSB Premier Income	5	56.25	57.76	[illegible]	-0.21	5.31
Do Accum	5	122.64	124.24	129.42	-0.40	5.31
TSB Income	6	362.33	367.38	412.11	-0.81	3.01
Do Accum	6	[illegible]	820.41	872.78	-1.70	3.01
TSB Pacific	6	446.22	446.22	474.78	-4.07	-
Do Accum	6	[illegible]	[illegible]	[illegible]	-4.77	-
TSB International	6	[illegible]	[illegible]	[illegible]	+4.27	0.02
Do Accum	6	[illegible]	[illegible]	[illegible]	+5.81	0.02
TSB Nat Resources	6	179.40	[illegible]	[illegible]	-0.24	-
Do Accum	6	194.99	199.76	212.51	-0.27	-
TSB Spcl Opps	6	179.01	120.90	[illegible]	-0.21	0.82
Do Accum	6	150.17	152.67	162.31	-0.26	0.82
Environmental Inv	6	68.04	69.95	73.93	+0.01	1.11
Do Accum	6	73.49	74.15	78.88	+0.01	1.11
TSB Selector	6	69.18	70.26	74.74	-0.08	1.84
Do Accum	6	78.86	78.08	83.06	-0.00	1.84
TSB High Income	6	72.21	73.07	77.77	-0.19	3.70
Do Accum	6	87.86	88.91	94.58	-0.23	3.70
TSB Ntl Income	6	83.96	84.38	89.48	-0.06	4.89
Do Accum	6	75.44	76.82	80.76	-0.10	4.57
TSB Selector Income	6	68.14	68.60	73.22	-0.16	4.49
Do Accum	6	77.44	78.21	83.26	-0.18	4.49
T.U. Fund Managers Limited (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
T.U. British	5	358.9	364.3	383.4	-1.6	2.40
T.U. European		52.13	52.54	55.01	+0.22	2.00
Templeton Unit Trust Managers Ltd (1200)F						
Adroit Crescent, Edinburgh EH3 8HA 031-226 3932						
Global Growth Acc	6	226.74	229.20	245.14	+0.91	1.52
Global Growth Inc	6	207.47	207.89	222.35	+0.83	1.52
Global Balanced Acc	6	203.42	203.61	217.78	+0.99	2.54
Global Balanced Inc	6	177.87	177.84	190.30	+0.86	2.54

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AXA Equity & Law Life Assce				
Amersham Road, High Wycombe 0494 463463				
UK Equities Ser 5	1004.7	1057.5	-0.8	-
Higher Income Ser 5	1086.8	1144.0	+0.5	-
Property Ser 5	524.4	552.0	-	-
Fixed Interest Ser 5	428.4	451.9	+0.6	-
Index Linked Secs Ser 5	189.7	199.6	+0.5	-
Gtd Deposit Ser 5	288.8	304.0	-	-
Nth America Ser 5	439.4	462.5	+4.0	-
Far East Ser 5	569.4	599.3	-0.9	-
Europe Ser 5	369.8	389.2	+1.5	-
International Ser 5	569.1	599.0	+2.1	-
Balanced Ser 5	718.2	755.9	+0.8	-
Reserve Ser 5	149.9	157.7	+0.2	-
Opportunity Ser 5	163.9	172.5	-0.1	-
Distribution Ser 5	110.2	116.0	-0.3	-
Pens Equity Ser 3	1414.9	1489.3	-3.4	-
Pens Higher Inc S 3	344.0	362.1	-0.6	-
Pens Fixed Int S 3	577.0	607.3	-0.9	-
Pens Index-Linked Sec S 3	246.4	259.3	-0.4	-
Pens Property S 3	487.8	513.4	-	-
Pens N America S 3	191.1	201.1	-0.2	-
Pens Far East S 3	330.8	348.2	+4.7	-
Pens Europe S 3	206.2	217.0	+2.3	-
Pens Overseas S 3	845.2	889.6	+11.7	-
Pens Balanced S 3	829.7	873.3	+1.3	-
Pens Cash S 3	420.1	442.2	-	-
Pens DAF Series 2	235.1	247.4	-	-
Pens DAF Series 1	468.1	490.6	-	-
Pens Opportunity S 3	178.2	188.6	+0.2	-
Pens Reserve S 3	173.4	182.5	-0.1	-

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Royal Life Insurance Ltd				
New Hall Place, Liverpool L69 3HS 051-239 3000				
Royal Shield Fd	993.8	1051.6	—	-
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	396.7	417.6	-0.4	-
Equity Fund	570.9	600.9	-0.8	-
Property Fund	315.6	332.2	+4.9	-
International Fund	493.1	519.0	-0.5	-
Gilt Fund	381.5	401.5	-1.2	-
Money Fund	216.6	228.0	—	-
United States Fund	258.0	271.5	+1.4	-
Pacific Basin	300.2	315.9	-1.4	-
Royal Life (Unit Linked Pension Fds) Ltd				
Exempt Man Fd Acc	488.9	514.6	-1.6	-
Exempt Equity Fd Acc	863.5	908.9	-5.7	-
Exempt Prop Fd Acc	321.8	338.7	+7.3	-
Exempt Intl Fd Acc	804.8	847.2	-0.4	-
Exempt Gilt Fd Acc	458.4	480.4	-1.9	-
Exempt Money Fd Acc	297.4	313.0	+0.1	-
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	83.5	87.9	—	-
Global Equity	61.4	64.6	—	-
High Yield	82.0	86.3	—	-
Intl Equity	87.2	91.8	—	-
Fixed Interest	83.0	87.4	—	-
Money	76.0	80.0	—	-
Managed	84.5	89.0	—	-
Pensions				
UK Equity	91.5	96.3	—	-
Global Equity	65.6	69.0	—	-
High Yield	96.5	101.6	—	-
Intl Equity	97.5	102.6	—	-
Fixed Interest	100.0	105.3	—	-
Money	94.1	99.0	—	-
Managed	95.4	100.4	—	-
Tax Exempt				
Tax Exempt Mgd	71.2	74.9	—	-
S-E-Banken Life Assurance Co Ltd				
149-161 High Rd, Chadwell Hth RM6 6PJ 081-597 7566				
Managed Fund	162.0	170.6	—	-
Pension Mngd Fd	183.1	192.8	—	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	778.7	824.1	-1.6	2.15
Coverdale AG Bond Fd	167.3	177.1	+0.6	
Deposit Fd†	359.2	380.2		5.81
Directors' Portfolio	88.7	93.9	-0.8	-

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd (z)				
Skandia Hse, Portland Terr, Southampton 0703 334411				
Skandia Valuation Line 0800 187399				
Life Managed Funds				
Skandia Cautious	148.2	155.9	-0.1	-
Skandia Balanced	389.9	410.4	+0.2	-
Skandia Distribution	119.9	126.2	-0.2	-
Skandia Ethical Selection	126.5	133.1	-0.2	-
Skandia Deposit	260.3	273.9	—	-
Abtrust Managed	135.9	143.0	+0.4	-
Baring Managed	150.0	157.8	+0.9	-
CU Managed	250.7	263.8	+0.3	-
Fidelity Managed	215.5	226.8	+1.1	-
Fleming Managed Inv Tst	151.1	158.9	+0.4	-
F & C Investment Trust	190.8	200.6	—	-
Framlington Managed	245.0	257.8	+0.8	-
Gartmore Managed	274.7	289.1	+0.1	-
Henderson Managed	275.1	289.5	+0.7	-
Hill Samuel Managed	242.5	255.2	+0.3	-
Invesco Managed	209.7	220.7	+0.4	-
James Capel Core Mngd	145.4	153.0	+0.7	-
Kleinwort Benson Mngd	145.1	152.7	+0.7	-
Martin Currie Mngd	160.2	168.6	+0.9	-
Morgan Grenfell Mngd	164.9	173.5	-0.1	-
Murray J'stone Managed	159.8	168.2	+0.8	-
Perpetual Managed	230.9	243.0	+1.3	-
Schroder Managed	143.0	150.5	+0.6	-
Pension Managed Funds				
Skandia Cautious	163.8	172.4	-0.2	-
Skandia Balanced	619.0	651.5	+0.6	-
Skandia Ethical Selection	140.8	148.2	-0.1	-
Skandia Deposit	447.2	470.7	—	-
Abtrust Managed	148.1	155.8	+0.6	-
Baring Managed	172.0	181.0	+1.3	-
BZW Managed	135.5	142.6	-0.1	-
CU Managed	304.9	320.9	+0.5	-
Fidelity Managed	241.8	254.5	+1.5	-
Fleming Managed Inv Tst	172.6	181.6	+0.5	-
F & C Investment Trust	220.0	231.5	—	-
Framlington Managed	380.9	400.9	+1.1	-
Gartmore Managed	412.3	434.0	+0.2	-
Henderson Managed	367.8	386.8	+1.2	-
Hill Samuel Managed	311.2	329.6	-0.4	-
Invesco Managed	295.8	311.3	+0.6	-
James Capel Core Mngd	164.5	173.1	+0.9	-
Kleinwort Benson Mngd	156.1	164.3	+0.9	-
Martin Currie Mngd	180.4	189.8	+1.3	-
Morgan Grenfell Mngd	187.7	197.5	-0.1	-
Murray Johnstone Mngd	171.4	180.4	+0.4	-
Perpetual Managed	283.2	298.1	+1.8	-

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth

Managed Fund
Gilt & Fixed Int Fd
Cash Fund
Pensions Managed
Pensions Cash

Templeton Life Assurance Limited
80 Union Street, Oldham

Global Growth
Global Enterprise
Global Managed
Global Fixed Interest
Sterling Haven
Plan 2000 (Time)
Tax Exempt (Time)
Global Growth (Pen)
Global Enterprise (Pen)
Global Managed (Pen)
Global Fixed Int (Pen)
Sterling Haven (Pen)

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells

Assurances & Pensions
Capital & Income
CU Regular
CU Exempt

Wesleyan Assurance Society
Colmore Circus, Birmingham

Managed Fd
Pens Managed Fd

Windsor Life Assur Co Ltd
Windsor House, Telford, Shropshire

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Foreign & Colonial Mngmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Commercial Union Luxembourg SA - Contd.

Cresvale Group (u)

DB Investment Management SA

Den norske Bank

Disa Income Fund

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

Nomura Global Fund (u)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Credit Suisse - Contd.

Scudder, Stevens & Clark

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Credit Lyonnais Rouse (Bermuda) Ltd

International Fund Administration Ltd

Putnam Emerging Funds Ltd

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jan28 / US$) (3 pm)

CANADA (Jan28 / Can. $) (3 pm)

EUROPE

AUSTRIA (Jan28 / Sch)

BELGIUM/LUXEMBOURG (Jan28 / Frs.)

DENMARK (Jan28 / Kr)

FINLAND (Jan28 / Mkk)

FRANCE (Jan28 / Frs.)

GERMANY (Jan28 / Dm.)

ITALY (Jan28 / Lire)

NETHERLANDS (Jan28 / Fls.)

NORWAY (Jan28 / Kroner)

SPAIN (Jan28 / Pts.)

SWEDEN (Jan28 / Kroner)

SWITZERLAND (Jan28 / Frs.)

AFRICA

SOUTH AFRICA (Jan28 / Rand)

PACIFIC

JAPAN (Jan28 / Yen)

AUSTRALIA (Jan28 / Aust$)

HONG KONG (Jan28 / H.K.$)

MALAYSIA (Jan28 / MYR)

SINGAPORE (Jan28 / S$)

INDICES

	Jan 28	Jan 27	Jan 26	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	22288.0	21651.4	22288.00	27/1/94	12167.88	8/3/93
Australia							
All Ordinaries(1/1/80)	2259.9	2250.7	(c)	2268.20	20/1/94	1495.00	13/1/93
All Mining(1/1/80)	1077.7	1079.5	(c)	1108.40	20/1/94	584.70	13/1/93
Austria							
Credit Aktien(30/12/84)	452.37	451.39	451.22	454.30	19/1/94	300.28	14/1/93
Traded Index(2/1/91)	1201.04	1193.27	1189.45	1206.94	19/1/94	712.08	15/1/93
Belgium							
BEL20 (1/1/91)	1516.75	1514.80	1508.62	1516.75	28/1/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	68449.0	70494.0	70494.00	26/1/94	714.72	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3676.73	3658.31	3728.96	19/1/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4467.40	4460.30	4582.80	19/1/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2122.40	2126.96	2175.58	19/1/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4509.8	4481.91	4509.80	27/1/94	2612.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	403.36	403.50	401.35	403.50	27/1/94	281.90	4/1/93
Finland							
HEX General(28/12/90)	1862.6	1870.2	1873.5	1878.10	25/1/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1560.60	1541.33	1539.01	1560.60	28/1/94	1114.19	28/1/93
CAC 40(31/12/87)	2313.17	2280.95	2282.35	2331.33	11/1/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	818.80	817.48	809.41	855.67	4/1/94	588.92	14/1/93
Commerzbank(1/12/53)	2341.1	2341.6	2318.5	2459.00	4/1/94	1684.30	14/1/93
DAX (30/12/87)‡	2133.47	2125.14	2119.17	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1075.92	1108.06	1114.01	1194.58	18/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	11377.83	11470.42	11239.57	12201.09	4/1/94	5437.88	4/1/93
India							
BSE Sens.(1979)	4053.9	4069.3	(c)	4069.30	27/1/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	592.65	590.47	594.78	612.89	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	2031.99	2033.25	2038.47	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	641.83	636.20	627.57	641.83	28/1/94	446.33	6/1/93
MIB General (4/1/94)	1026.0	1018.0	1005.0	1026.00	28/1/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	18757.88	18891.79	19138.21	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	282.15	283.65	285.12	308.84	10/11/93	246.64	29/11/93
Topix (4/1/68)	1527.82	1536.50	1550.32	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2046.02	2039.35	2036.65	2384.97	7/6/93	1651.72	29/1/93
Malaysia							
KLSE Comp.(4/4/86)	1090.06	1074.24	1029.31	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2712.91	2659.29	2712.91	27/1/94	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	447.0	443.6	445.4	449.40	24/1/94	295.70	4/1/93
CBS All Shr (End 83)	289.7	287.5	298.7	291.20	24/1/94	198.60	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2338.28	2308.42	2284.11	2338.28	28/1/94	1496.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1184.57	1174.61	1160.70	1184.57	28/1/94	669.93	27/1/93
Philippines							
Manila Comp (2/1/85)	2929.50	3002.85	2985.61	3308.37	4/1/94	1270.88	4/1/93
Portugal							
BTA (1977)	3028.4	3039.2	3025.3	3039.20	27/1/94	1608.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	597.90	593.57	585.15	641.61	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	1905.0♥	2024.0	1952.0	2331.00	4/1/94	775.00	5/1/93
JSE Indl. (28/9/78)	5503.0♥	5495.0	5456.0	5780.00	7/1/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	926.75	907.44	894.34	926.75	28/1/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	352.34	348.62	348.40	352.34	28/1/94	216.60	4/1/93
Sweden							
AffarsvarldnGen (1/2/37)	1574.6	1560.20	1539.1	1574.60	28/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1405.21	1387.49	1380.49	1405.21	28/1/94	984.89	11/1/93
SBC General (1/4/87)	1081.43	1068.67	1068.01	1081.43	28/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	6018.06	6022.39	5845.50	6454.52	6/1/94	3088.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1507.35	1498.09	1459.14	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Cmp.(Jan 1986)	18561.9	19513.6	21128.6	28883.60	13/1/94	3965.53	1/1/93
WORLD							
MS Capital Int (1/1/70)§	622.4*	618.9	615.5	622.40	28/1/94	488.50	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1510.22	1496.68	1490.98	1510.22	28/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1285.02	1270.47	1266.91	1285.02	28/1/94	882.73	13/1/93
JCapelDrgns (31/12/88)	(u)	360.73	353.93	365.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	174.01	173.30	171.43	174.57	24/1/94	98.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	2280.0	2310.0	+36.0	2317.0	2269.0	35,979	17,480
Feb	2292.5	2322.5	+36.0	2329.0	2283.5	18,126	17,305
Mar	2304.5	2334.5	+36.0	2338.0	2295.5	2,052	42,148
Jun	-	2330.0	+36.0	-	-	-	2,316

Open Interest figures for previous day.

** Sat Jan 22: Taiwan Weighted Price 5970.03; Korea Comp Ex 877.75. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 28 - 2156.61 +33.30

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Finances and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 27	Jan 26	Jan 25	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3926.30	3908.00	3895.34	3926.30 (27/1/94)	3241.95 (20/1/93)	3926.30 (27/1/94)	41.22 (2/7/32)
Home Bonds	105.53	105.45	105.50	108.77 (18/10/93)	103.49 (11/1/93)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1821.08	1813.57	1808.64	1834.81 (14/1/94)	1453.84 (4/1/93)	1834.81 (14/1/94)	12.32 (8/7/32)
Utilities	225.61	221.46	217.97	256.46 (31/8/93)	217.11 (24/1/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3951.34 (3934.74) Low 3878.77 (3863.82) (Theoretical♠)
Day's high 3923.87 (3911.10) Low 3901.25 (3887.16) (Actual♠)

Standard and Poors	Jan 27	Jan 26	Jan 25	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	477.05	473.20	470.92	477.05 (27/1/94)	439.05 (8/1/93)	477.05 (27/1/94)	4.40 (1/6/32)
Industrials	553.44	550.36	548.98	553.50 (27/1/94)	496.48 (26/4/93)	553.50 (27/1/94)	3.62 (21/6/32)
Financial	45.79	45.12	44.61	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	264.38	262.26	261.13	264.38 (27/1/94)	236.21 (8/1/93)	264.38 (27/1/94)	4.46 (25/4/42)
Amex Mkt Val	481.86	481.74	480.59	484.81 (20/1/94)	395.84 (8/1/93)	484.81 (20/1/94)	29.31 (9/12/72)
NASDAQ Cmp	792.86	788.81	786.39	794.28 (21/1/94)	645.87 (26/4/93)	794.28 (21/1/94)	54.87 (31/10/72)

■ RATIOS

	Jan 21	Jan 14	Jan 7	Year ago
Dow Jones Ind. Div. Yield	2.59	2.62	2.65	3.18
	Jan 26	Jan 19	Jan 12	Year ago
S & P Ind. Div. yield	2.35	2.34	2.35	2.51
S & P Ind. P/E ratio	27.99	28.13	28.07	26.96

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	477.40	478.50	+0.95	478.75	477.25	56.317	184,482
Jun	479.50	479.50	+0.95	479.50	479.50	371	5,051
Sep	-	480.50	-	480.50	-	36	886

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Playtex	7,891,300	12¾	–
O' Sullivan	5,922,300	24⅛	–
Telefonos	4,289,300	71⅝	+2⅝
Philip Morris	4,111,800	59⅝	+¼
GTE	3,451,100	34½	+⅜
Wal-Mart	3,279,300	26	+⅛
ACE	3,158,400	28½	+⅛
Sara Lee	3,126,300	23⅛	-1⅝
Ford Motor	2,741,900	66¼	+1⅝
Gen Motors	2,564,300	59⅞	+1¼

■ TRADING ACTIVITY

● Volume (million)	Jan 27	Jan 26	Jan 25
New York SE	346.292	304.647	326.089
Amex	19.119	17.541	17.864
NASDAQ	(u)	316.495	352.351
NYSE			
Issues Traded	2,735	2,740	2,738
Rises	1,317	1,185	866
Falls	768	875	1,213
Unchanged	650	680	659
New Highs	100	62	66
New Lows	18	29	57

WORLD STOCK MARKETS

AMERICA

US economic data spurs fresh buying

Wall Street

US stocks advanced yesterday after a keenly awaited report on the economy's fourth-quarter performance showed robust growth had been accompanied by lower-than-expected inflation, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 15.47 ahead at 3,941.77, well above the record high close of 3,926.30 set the previous session. The more broadly based Standard & Poor's 500 improved 1.74 at 478.79. In secondary markets, the American SE composite continued to lag other indices, with a 0.60 rise to 482.46, while the Nasdaq composite added 2.15 to 794.03.

After an unexpected rally in bond prices the previous session, stocks were poised for their fourth record-breaking Friday in a row. Investors were not disappointed, as the Dow blue-chip barometer opened more than 25 points higher after the commerce department released its initial estimate for gross domestic product in the final three months of 1993.

The data were better than expected on two counts. First, the economy expanded by a robust 5.9 per cent, higher than the consensus forecast of 5.2 per cent, but this was not entirely surprising given recent statements by senior government officials.

The most welcome news concerned inflation, with the implicit price deflator inching up only 1.3 per cent, the lowest rate since 1967, and well below expectations of 2.5 per cent.

In reaction, the long end of the US Treasury market, which is especially vulnerable to inflationary pressures, registered fresh gains. By midday, the benchmark 30-year note was up $\frac{3}{32}$ to 100½, and the yield dropped to 6.208 per cent.

The prospect of lower interest rates helped bank issues in general. Bankers Trust, up $⅞ at $82, and JP Morgan, $⅝ ahead at $71, received an extra boost from SG Warburg, which upgraded the stocks.

But it was Continental Bank that stood out from the rest of the sector. It jumped $6⅞ to $34⅞ after the announcement of its acquisition by BankAmerica for $1.9bn in cash and stock. BankAmerica, which said it would buy back $500m in its shares before completing the deal, dipped $¼ to $45¼.

The agreement lifted some regional banks, which are potential takeover targets. Wells Fargo climbed $3 to $138 and First Interstate $2⅞ to $70⅞.

The week's stream of corporate earnings news slowed to a trickle yesterday. One of those reporting was Scientific-Atlanta, a supplier of satellite, cable television and data transmission equipment. It surged $4⅞ to $27¼ after the company revealed profits of 19 cents a share, against 4 cents a year ago.

Mexico's IPC index was trading at a new intraday high by midsession helped by speculation that Telmex, up 2.3 per cent in the L shares, and AT & T of the US might form a co-operation arrangement. The IPC index added 23.18 to 2,736.04 in volume of 18m shares.

Brazil, however, went in the opposite direction, the Bovespa index falling 3.6 per cent at midday.

EUROPE

US economic data help boost senior bourses

Senior bourses galloped ahead yesterday, some of them giving due credit to better US economic data, but others advancing reasons of their own, *writes Our Markets Staff.*

FRANKFURT was gently better on the session and the Dax index closed at 2,133.47, up 8.33 on the day and 2.8 per cent better on the week. Turnover fell from DM9.5bn to DM8.6bn.

However, the post-bourse was enlivened by comments from the Bundesbank's chief economist, Mr Otmar Issing – who forecast that M3 growth would normalise early in 1994, and that inflation would fall below 3 per cent in the second half of this year – and boosted further by better than expected US inflation and GDP data.

The Ibis-indicated Dax closed another 23.14 higher at 2,156.61. The German and US economic news helped interest rate-sensitive, and exporters' stocks respectively, said Mr Harry Jaarsma at Dresdner Bank in Frankfurt.

Allianz rose DM52 from the previous Ibis-indicated close to DM2,802, and Deutsche Bank by DM18.50 to DM825. Among exporters, Volkswagen gained DM6.40 at DM439.40 and Linde DM11 at DM896.

Daimler was one exporter which gained little, up just DM1.50 at DM810 after the *James Capel downgrade in* London on Thursday, and on pressure in the US market yesterday after Deutsche Bank launched another ADR offer in the stock overnight.

ZURICH posted its fourth consecutive record close, the SMI index adding 45.5 or 1.5 per cent to 3,140.7, for a 3.3 per cent rise on the week.

Early demand came from domestic investors on a forecast that Swiss inflation will fall below 1 per cent this summer. US investors were also active buyers late in the day.

Roche certificates rose another SFr140 to SFr7,100, 6.7 per cent better on the week amid share split speculation, and market rumours that UBS was short in the stock.

MILAN produced a second consecutive record performance, as foreign buyers turned their attention to the laggard telecommunications and insurance sectors. The Comit index rose 5.63 to 641.83, up 4.6 per cent on the week, in record turnover of L1,138bn.

Montedison continued to climb, rising L70 or 6.4 per cent to L1,159, for a cumulative 16.7 per cent rise on the week. Volume of 154.7m shares again prompted speculation about stake building, although Consob, the market watchdog, said that it had received no notification of such a move. Sip closed L153 or 4 per cent higher at *L3,991 after an apparent trading* error saw it jump almost 10 per cent at one stage, forcing a temporary trading suspension. Stet rose L85 to L4,524.

MADRID saw feverish buying late in the day and the general index hit a new high of 352.34, up 3.72, and by 3.1 per cent on the week. Turnover eased to Pta38.4bn from the previous day's Pta57.5bn.

Interest rate-sensitives moved on the strong domestic bond market, the utilities, Iberdrola and Fecsa, rising by Pta55 to Pta1,175, and Pta45 to Pta1,060 respectively.

PARIS was encouraged by a number of factors, including the US data which came late in the session, as well as technical trading. The CAC-40 index finished 32.22 ahead at 2,313.17, a week's gain of 3 per cent.

Heavy US buying lay behind the rise among automotive stocks. James Capel in London recommended Peugeot on Thursday, noting that given the flat performance of the *shares during 1993* "there is more than average scope for them to rise on recovery prospects." The carmaker put on FFr28 to FFr355, while Michelin advanced FFr10 to FFr254.90.

Euro Disney went against the trend, losing FFr1.45 to FFr35.05, following reports that the company was relying on survival from funds made available by its US parent, Walt Disney.

AMSTERDAM's AEX index finished with a solid gain of 4.07 to 429.78, a week's rise of 0.3 per cent. Among the day's best rises was the 4.6 per cent recorded by Hoogovens, the steel and aluminium group, on a potential breakthrough in curbing global overproduction of aluminium. The shares closed up Fl 2.50 to Fl 57.00.

Akzo was one of the few losers, closing off 70 cents at Fl 209, on worries about the interruption of electricity supplies to its plant in the north of the country on Thursday. The *group said that there would be* no impact on earnings.

STOCKHOLM was heartened by the good US economic data and the Affärsvärlden General index rose 14.4 to an all-time high of 1,574.6. Volvo B rose SKr29 to a record SKr682.

ISTANBUL pulled back from an early fall of nearly 7 per cent as domestic investors, who have been behind the market's 30 per cent decline in local currency terms this week, returned as buyers.

The composite index closed down 4.9 per cent at 18,562. Following the devaluation of the Turkish lira on Wednesday, overnight interest rates were raised to 400 per cent as the central bank tried to protect the currency.

Local investors were also encouraged by a statement from the prime minister, Mrs Tansu Çiller, that she was considering new tax incentives to encourage equity investment.

Written and edited by William Cochrane, John Pitt and Michael Morgan

SOUTH AFRICA

Gold shares ended the week sharply lower after bullion fell back in New York, leaving the index down 119 at 1,905. The industrial index gained 8 to 5,503 and the overall index *slipped 67 to 4,725. Anglos* eased R6 to R191.

FT-SE Actuaries Share Indices

Jan 28 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1496.30	1496.76	1497.22	1499.36	1500.69	1508.00	1508.85	1510.22
FT-SE Eurotrack 200	1563.01	1563.47	1563.64	1566.68	1565.52	1575.24	1579.06	1578.86

	Jan 27	Jan 26	Jan 25	Jan 24	Jan 21
FT-SE Eurotrack 100	1498.68	1490.98	1485.10	1482.11	1471.66
FT-SE Eurotrack 200	1566.24	1562.49	1564.22	1568.02	1562.83

Base value 1000 (26/10/90) Highday: 100 - 1511.70; 200 - 1583.03 Lowday: 100 - 1495.83 200 - 1562.56

Mutual funds the key to Toronto prospects

Bernard Simon senses nervousness among the bulls

How long can this go on? That is the question most often raised these days about the heady performance of the Toronto stock exchange.

The TSE-300 index has broken new records on 10 of the 19 trading days since New Year. Having risen by 29 per cent in 1993, it has gained another 146 points, or 3.2 per cent to xxxxxxx so far this month.

The action in recent weeks has centred on some of the economy's late bloomers, such as resource companies, media groups and real estate developers. Forestry shares have been boosted by evidence that the long slide in pulp and paper prices may be over. Abitibi-Price, the newsprint producer, has bounced up from C$13.25 at the end of October to C$16.25.

The TSE's real-estate sub-index has climbed by almost 7 per cent in the past four weeks, thanks to a continuing slide in interest rates and early signs of renewed demand for space in office blocks and shopping malls. Bank shares have been another favourite, bolstered by the prospect of declining loan losses and rising credit demand. Bank of Nova Scotia, investors' current darling, has jumped from C$29 to C$32 in the past three months.

Many analysts remain bullish. ScotiaMcLeod recently advised clients to expand the equity component of their portfolios from 45 per cent to 50 per cent on the strength of an expected further surge in the TSE-300 to 4,800 by mid-year.

Much of the optimism stems from the seasonal flood of savings into tax-sheltered portfolios prior to the Feb 28 contributions deadline. Beyond that, there is the prospect of a further fall in long-term bond yields coupled with rising earnings and dividends.

But signs of nervousness are also not hard to find. Institutional investors acknowledge that they have growing difficulty identifying undervalued outlets for the cash which is pouring into their coffers. ScotiaMcLeod concedes that a *correction in the TSE-300 to* around 4,500 is possible by the end of the year. Some Canadian equity mutual funds have begun to raise the cash component of their portfolios. They are motivated partly by the paucity of attractive investments, but also by concern that a market setback may lead to a rash of redemptions.

The behaviour of mutual fund managers and investors could be crucial in determining both the timing and the extent of a correction. As in the US, mutual funds have become the new musclemen in Canada's financial markets. Total assets of the funds that do business in Canada, roughly 600, have soared from C$67bn at the end of 1992 to C$110bn last month.

Canada

TSE 300 Composite

Source: Datastream

Mutual funds have been prime movers in the growth of TSE volume from an average of 13,900 transactions a day in 1992 to 23,700 last year. The funds have also been among the most eager investors in the *flood of new equity issues.* According to the Investment Dealers Association, the value of common equity issues on Canadian securities markets soared from C$10.9bn to C$20.8bn in 1993. "The system is relatively awash with liquidity," says Mr Michael Shannon, a portfolio manager at Pembroke Management, a Montreal-based investment adviser. "It's only in initial public offerings and new issues that an institution can get the kind of stock it requires."

In many cases, a single institution has bought a stake of 10 per cent or more in a newly-listed company. In their drive to outperform the market, managers of equity funds have increasingly been drawn to small and medium-sized companies which have been in the vanguard of the flood of initial public offerings (IPOs).

The 89 IPOs on the TSE last year ranged from a host of resource and high-technology companies to A Buck or Two Stores, a retail chain selling products with a price tag of no more than C$5.

Until now, newly-listed companies have been among the market's stellar performers. The risk, however, is that these shares could be as volatile coming down as they were going up.

The extent of the sell-off could depend heavily on whether retail investors rush to redeem mutual fund units during the course of a sharp market correction. Mr Selwyn Kossuth, president of the Investment Funds Institute of Canada, the industry's trade association, notes that net inflows continued in the immediate aftermath of the October 1987 crash. As Mr Shannon points out, "every dip in the market has been an opportunity to buy as opposed to a warning signal to get out."

Nevertheless, mutual fund redemptions did pick up sharply in 1988 and 1989. The outflow from real-estate funds was so heavy in the early 1990s that several fund managers either slapped a ban on further redemptions or converted their funds into listed real-estate *investment trusts.*

Regulators and the industry itself have sought to bolster investor confidence with quarterly reporting of mutual fund portfolios, and limits on holdings of obviously illiquid securities. Several mutual fund distributors have raised their minimum investment in the hope of attracting long-term investors who will not panic at the first sign of trouble. None of these precautions offers a watertight assurance, however, that investors and fund managers will remain calm in stormy waters.

ASIA PACIFIC

Nikkei rallies in London on reform deal

Tokyo

Investors remained inactive ahead of Saturday's deadline for political reform, and share prices gave up further ground on profit-taking by corporate investors, *writes Emiko Terazono in Tokyo.* However, the decline was reversed in London after hours after the Japanese prime minister, Mr Morihiro Hosokawa won a face-saving deal.

Tokyo's Nikkei 225 index fell 133.91 to 18,757.88, for a week's decline of nearly 3 per cent, as overseas investors and dealers, who have been the leading buyers recently, were absent. The Topix index of all first section stocks lost 8.68 to 1,527.82.

In London, the ISE/Nikkei 50 index closed 41.60 higher at 1,306.43. This reversed the pattern of the previous Friday, when the reform bill's upper house defeat took Japanese stocks down nearly 3 per cent in London after a 1.8 per cent gain in the domestic market – where the Nikkei followed London, with a 4.8 per cent drop last Monday.

Ahead of the deal, Japanese domestic institutions said that they were reluctant to increase their weightings at current levels since the recent rise did not reflect an improvement in underlying economic fundamentals.

However, Nippon Life, the largest life insurer, said that *many investors were looking* to increase exposure at lower levels.

The Nikkei opened at the day's high of 18,869.59 and fell to a low of 18,657.17 in the afternoon. Volume was 250m shares against 431m. Losers led gainers by 718 to 262 with 178 unchanged.

Electronics stocks were lower on profit-taking. NEC fell Y17 to Y966 and Sony declined Y20 to Y5,830.

Arbitrage selling depressed bank shares. Industrial Bank of Japan fell Y30 to Y3,100 and *Mitsubishi Bank declined Y50 to Y2,860. Brokers were also* lower with Nomura Securities down Y10 to Y2,070.

Overseas investors bought steel stocks. Nippon Steel, the day's most active issue, rose Y6 to Y329 and Kawasaki Steel gained Y8 to Y340.

In Osaka, the OSE average put on 145.48 to 20,609.16 in volume of 83m shares. Nintendo, the video game maker, rose Y100 to Y6,430.

Roundup

The region's markets reacted to domestic issues yesterday.

HONG KONG ended weaker *after a day of volatile trading* on reports that banks were trying to dampen down speculation in the property sector by lifting mortgage rates. The Hang Seng index lost 92.59 to 11,377.83, after an initial gain of more than 170 points, for a week's fall of 0.7 per cent.

Turnover was some HK$8bn.

The reports forced heavy selling among property stocks and the sub-index shed 1.8 per cent in value.

KUALA LUMPUR saw institutional buying of selected blue-chips push the composite *index up 15.82 or 1.5 per cent to* 1,090.06. However, brokers remained cautious and forecast further profit-taking next week. The index has gained 3.4 per cent over the week.

SINGAPORE benefited from the gains in Malaysia, and the Straits Times Industrials index advanced 13.79 to 2,300.07, a week's rise of 0.8 per cent.

SEOUL rose for the sixth straight session to hit another four-year high. The composite index added 19.31 to 926.75, up 6.4 per cent this week.

The newly-listed Samsung Heavy was very active, closing limit up at Won28,000.

TAIWAN fell back after *Thursday's 3 per cent gain and* the weighted index slipped 6.31 to 6,016.08, having opened at 6,088.56. Turnover was T$78.3bn and the index has risen 1.2 per cent this week.

Financials, which led Thursday's rebound, fell back.

AUSTRALIA was driven higher by overseas demand and the All Ordinaries index closed up 9.2 at 2,259.9. The banking sector added 50.2 or 1.6 per cent, with Westpac rising 15 cents to A$5.29, its highest level since February 1990.

NEW ZEALAND closed at a *52-month high, fuelled by a rise* in Telecom, up 16 cents at NZ$4.60, as the NZSE-40 capital index gained 29.86, or 1.3 per cent, to 2,338.26. The index has risen 2.6 per cent on the week.

BANGKOK's SET index broke through the 1,500 level to close the session up 9.26 at 1,507.35. *Turnover also* improved to Bt19.4bn from Thursday's Bt16.1bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY JANUARY 27 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JANUARY 26 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	179.56	1.3	178.37	124.19	162.82	168.33	1.2	3.06	177.29	176.11	123.75	161.11	166.26	179.90	120.50	121.02
Austria (17)	190.01	0.3	188.74	131.41	172.28	172.03	0.1	0.93	189.39	188.12	132.19	172.10	171.78	191.92	139.23	140.65
Belgium (42)	166.28	1.1	165.18	115.00	150.77	147.63	0.8	3.90	164.43	163.33	114.77	149.42	146.81	166.28	138.95	141.74
Canada (107)	140.90	-0.1	139.96	97.45	127.76	133.80	-0.3	2.51	141.01	140.07	98.42	128.14	134.15	145.31	113.54	114.47
Denmark (32)	268.22	0.5	266.44	185.51	243.21	247.05	0.3	0.92	266.82	265.03	186.23	242.46	246.34	269.46	195.66	210.28
Finland (23)	146.55	-0.6	145.57	101.36	132.88	173.01	-0.4	0.58	147.48	146.49	102.94	134.02	173.67	147.63	65.50	70.38
France (99)	178.91	0.3	177.72	123.74	162.22	166.15	0.1	2.80	178.38	177.19	124.50	162.10	165.97	182.15	142.90	147.65
Germany (59)	132.02	0.6	131.15	91.31	119.71	119.71	0.3	1.77	131.28	130.39	91.62	119.28	119.28	142.38	105.56	108.01
Hong Kong (58)	469.85	1.9	466.73	324.96	426.04	465.93	1.9	2.34	461.24	458.17	321.94	419.16	457.35	506.56	225.77	236.42
Ireland (14)	203.01	0.2	201.67	140.41	184.08	199.04	0.0	2.80	202.65	201.30	141.45	184.16	199.07	207.53	129.29	142.74
Italy (68)	71.07	0.6	70.60	49.15	64.44	90.29	0.8	1.82	70.52	70.05	49.23	64.09	89.56	78.93	55.21	59.54
Japan (469)	140.98	-0.1	140.04	97.50	127.83	97.50	-1.0	0.84	141.05	140.11	98.45	128.18	98.45	165.91	101.88	101.88
Malaysia (69)	487.30	5.0	484.07	337.03	441.86	517.05	5.2	1.41	463.97	460.87	323.84	421.63	491.70	621.63	258.19	260.02
Mexico (18)	2454.86	-0.1	2438.54	1697.84	2225.90	8340.58	0.0	0.61	2456.65	2440.24	1714.69	2232.44	8342.64	2481.52	1410.30	1677.99
Netherland (26)	201.63	-0.2	200.29	139.46	182.83	179.84	-0.4	2.95	202.13	200.78	141.08	183.69	180.61	203.67	153.15	156.03
New Zealand (14)	72.22	1.1	71.74	49.95	65.48	67.44	1.1	3.47	71.44	70.96	49.86	64.92	66.70	72.22	41.66	41.77
Norway (23)	198.64	1.1	197.32	137.38	180.11	202.21	0.9	1.26	196.52	195.21	137.17	178.59	200.34	198.64	138.48	140.56
Singapore (45)	340.00	1.9	337.74	235.15	308.30	250.45	1.9	1.65	333.62	331.40	232.87	303.18	245.91	378.82	213.57	214.34
South Africa (60)	254.40	1.1	252.71	175.95	230.67	244.52	0.8	2.34	251.71	250.03	175.89	228.74	242.48	280.26	158.20	158.20
Spain (42)	151.06	0.8	150.06	104.48	136.98	161.19	0.2	3.71	149.87	148.87	104.61	136.20	160.79	151.06	116.33	129.96
Sweden (36)	221.94	1.8	220.47	153.50	201.25	261.58	1.6	1.33	218.08	216.63	152.22	198.18	257.34	221.94	149.69	156.52
Switzerland (49)	169.93	0.4	168.80	117.53	154.08	154.93	0.2	1.41	169.32	168.19	118.18	153.87	154.56	169.93	109.14	112.74
United Kingdom (215)	209.50	-0.3	208.10	144.89	189.96	208.10	-0.3	3.46	210.09	208.69	146.64	190.92	208.69	213.29	162.00	172.69
USA (516)	194.03	0.9	192.74	134.20	175.93	194.03	0.9	2.70	192.35	191.07	134.26	174.80	192.35	194.03	176.29	179.05
EUROPE (744)	173.27	0.2	172.12	119.84	157.11	167.69	0.1	2.71	172.96	171.80	120.72	157.17	167.59	173.63	134.16	138.42
Nordic (113)	213.23	1.1	211.82	147.48	193.35	220.39	1.0	1.13	210.94	209.53	147.23	191.68	218.22	213.23	142.13	148.04
Pacific Basin (722)	153.85	0.3	152.83	106.41	139.50	110.15	-0.4	1.11	153.34	152.32	107.03	133.35	110.61	168.60	107.05	107.05
Euro-Pacific (1466)	161.77	0.3	160.70	111.89	146.69	132.26	-0.2	1.82	161.35	160.27	112.62	146.63	132.53	162.87	119.43	119.75
North America (625)	190.72	0.8	189.46	131.91	172.94	189.88	0.8	2.69	189.16	187.89	132.03	171.89	188.34	190.72	172.67	175.07
Europe Ex. UK (529)	150.67	0.5	149.67	104.21	136.62	144.01	0.3	2.22	149.94	148.94	104.66	136.26	143.60	150.67	115.10	117.74
Pacific Ex. Japan (253)	276.89	2.1	275.05	191.51	251.07	255.25	2.1	2.38	271.11	269.30	189.23	246.37	249.90	296.21	155.37	157.62
World Ex. US (1651)	163.78	0.3	162.69	113.27	148.50	135.53	-0.2	1.83	163.35	162.26	114.01	148.44	135.78	163.94	120.63	120.98
World Ex. UK (1954)	169.34	0.6	168.22	117.12	153.55	148.60	0.3	2.00	168.37	167.25	117.52	153.00	148.21	169.34	136.48	136.48
World Ex. So. Af. (2108)	172.36	0.5	171.22	119.21	156.29	152.99	0.2	2.15	171.54	170.39	119.73	155.88	152.69	172.36	139.60	139.60
World Ex. Japan (1700)	191.29	0.7	190.02	132.30	173.45	187.44	0.6	2.64	189.98	188.71	132.60	172.64	186.25	191.29	158.44	160.81
The World Index (2169)	172.84	0.5	171.69	119.54	156.72	153.74	0.2	2.15	172.00	170.85	120.05	156.30	153.43	172.84	139.62	139.62

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied-Lyons	600	58	66	74	8½	23	28½
(*640)	650	26	37	47½	29	48	53
Argyll	240	29	34	38	7	14	17½
(*257)	260	16	24	29	15	24	27½
ASDA	50	11½	13½	14½	2	3½	5
(*58)	60	5½	7½	9	5	8	9½
Brit Airways	460	32½	44	52½	19½	30	35
(*470)	500	14½	25½	35	40½	52½	57½
SmKl Bcm A	420	33	45½	54	20	28	37½
(*430)	460	15½	28	36½	44	54	60½
Boots	500	58½	65½	72½	7	17	20½
(*542)	550	25½	37½	43½	26	37½	42½
BP	360	24½	32½	39	14½	21	26
(*367)	390	10	19	26	32	37½	42½
British Steel	130	15½	20	23½	5	8½	11½
(*139)	140	9½	15½	18	9½	14	16½
Bass	550	41	51	61	14	27½	33
(*566)	600	16½	27	36	44	55½	60½
Cable & Wire	500	44½	58½	67	13½	24	30½
(*523)	525	28½	45	-	24½	36	-
Courtaulds	500	31	42	49½	18	32	37
(*508)	550	11	19½	28	49½	62½	67
Comm Union	650	51½	67	73½	13	22½	30
(*689)	700	22½	38	47	37	47	54½
ICI	750	59	73½	82½	19½	34	44
(*792)	800	28½	47½	56½	46½	60	69
Kingfisher	600	49½	66	72½	16	28	32½
(*627)	650	25	37½	48½	45	52	58½
Land Secur	750	34	40½	48½	22½	35	39
(*752)	800	13	18½	27½	54½	66½	69½
Marks & S	420	31½	38	46	9	17	20½
(*437)	460	11½	19	27	29½	38½	41½
NatWest	550	52	62½	68	12½	19	26½
(*592)	600	22	35	43½	35½	43½	51
Sainsbury	390	28	36	41½	16½	26½	30½
(*393)	420	16½	23½	28½	34½	45	49
Shell Trans.	700	38	51	59½	17½	26	34
(*725)	750	12½	27½	34½	48½	53½	61½
Storehouse	220	19½	25½	29½	7	12½	15
(*229)	240	9	15	19½	17½	23	25½
Trafalgar	97	14½	19	-	8	8½	-
(*104)	106	11	14½	-	11	14½	-
Unilever	1150	73	91	112	23	44	43½
(*1198)	1200	41½	62	83½	46½	59	66
Zeneca	800	37½	56½	69½	38	51½	62½
(*807)	850	18	35½	49	72	82½	93
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	460	31	43	51½	6	14	20½
(*482)	500	9	21	30	25	33	40½
Ladbroke	180	24½	29	32½	2	8½	13½
(*200)	200	10½	16½	22	7½	18½	23½
Utd Biscuits	360	17	26½	31½	8	19½	26
(*368)	390	4½	12½	18½	25½	39½	45
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	130	19½	25	30½	7	12½	16½
(*141)	140	14	21	26	10	17½	22
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	420	33½	50	63½	7½	24½	34½
(*443)	460	12	30	43½	27½	48	56
BAT Inds	500	34½	49	53	6	17½	29½
(*527)	550	8	22½	28	28½	47½	58
BTR	360	18	23	31	5½	15½	19½
(*371)	390	4	10½	18	23	33½	37
Brit Telecom	460	15½	27½	35½	6½	13½	22
(*467)	500	2½	9½	17	34	39	45½
Cadbury Sch	493	39½	44	-	2½	13	-
(*526)	542	7	15½	-	21½	38½	-
Eastern Elec	700	20	39½	52	17	27½	42
(*700)	750	5	18½	29	52	59	73½
Guinness	500	29	42	53	9	24	30
(*518)	550	6	17	30	38	54	59½
GEC	330	13½	22½	28	5½	11	18
(*338)	360	2	8½	14	25	28½	36

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Hanson	280	10	15½	19½	4½	11½	16
(*284)	300	2	7	11	17½	23½	27½
Lasmo	120	10	18	23	6	12½	16½
(*124)	130	6	13	18	11½	17½	22½
Lucas Inds	200	19	24½	30½	3	8½	12½
(*214)	220	6	13	19½	12	18½	23
P & O	650	51	64	79	5	21	27½
(*692)	700	17½	33½	52	23½	44	50
Pilkington	180	17½	23	28	3	9	11½
(*192)	200	6	12	17½	11	18½	21½
Prudential	360	13½	19	28	7½	18½	23½
(*363)	390	3	7½	13½	28	40	42½
RTZ	850	37	58	78½	13½	34	46
(*868)	900	13½	33½	53½	42	62	72
Redland	600	40½	52½	61	6	25	33½
(*629)	650	12½	26	36½	29½	52½	60½
Royal Insce	330	37½	23	29	1½	21½	25½
(*330)	360	13½	11½	16½	7½	41	44
Tesco	220	9	16	21½	8½	16	19
(*222)	240	2½	7½	13	22	29½	32
Vodafone	550	43	62½	75½	7	22	34
(*581)	600	14½	34½	50	31	46½	59½
Williams	390	21½	30½	37	4½	16	21½
(*404)	420	5½	15	23	20½	33	37½
Option		Apr	Jul	Oct	Apr	Jul	Oct
BAA	1000	81½	97	114	14	32	39½
(*1049)	1050	50	68½	86½	36	53½	62
Thames Wtr	550	58½	64	69	8½	19½	23
(*591)	600	23½	34	40½	26½	45	48
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	460	46½	51	59½	7½	12½	20½
(*498)	500	18½	27	37	24	30	38½
Amstrad	45	5	7½	9½	3½	5½	7
(*46)	50	3	5½	7½	6½	8	9½
Barclays	600	42½	52½	65½	16½	24	34
(*626)	650	16½	28½	41½	43½	51	60½
Blue Circle	360	29	36½	44½	11½	23	31
(*375)	390	13	22½	30½	27	39½	48
British Gas	330	29½	35½	38½	4½	10	14
(*352)	360	10	16½	23½	15½	28	29½
Dixons	200	24	33	37	4½	9	15½
(*216)	220	12½	21½	26½	13½	19	25½
Hillsdown	160	23½	25½	27½	2½	7	9
(*178)	180	9½	13½	16	9	17½	19½
Lonrho	140	18½	25½	30	5	9½	14½
(*155)	160	8½	14½	20½	15	19	25½
Natl Power	460	38½	50½	60½	9½	19	30
(*484)	500	17½	29½	40½	29	40	51½
Scot Power	460	26½	40	49½	13	21	31
(*474)	500	9	21	30½	37	43½	53
Sears	120	10½	13	14½	4	7	8½
(*124)	130	6	8	9½	9	13	14½
Forte	260	16½	23	29½	9	18	22½
(*265)	280	7½	13½	21	21	30	34
Tarmac	193	14½	21½	-	10½	16	-
(*198)	200	11	17½	24½	14	20½	25
Thorn EMI	1050	67½	94	109	17	29	49½
(*1092)	1100	36½	64	78½	39½	51½	72½
TSB	260	21½	28½	34½	7	12½	17½
(*276)	280	9½	17½	24½	17½	23	27½
Tomkins	260	18½	27	32½	7	11	17½
(*270)	280	8	15½	22	16½	21½	28
Wellcome	650	52½	70½	91	21	37½	50½
(*675)	700	28½	48½	65½	47	64½	75½
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	47½	69½	81	35	50½	64½
(*663)	700	24	47½	58½	65	78½	94½
HSBC 75p shs	950	89	87	108	54½	73	94
(*960)	1000	37	65½	84	84½	102	118
Reuters	1950	104	156	197	87½	113	136
(*1972)	2000	78½	133	171	113	138	160
Option		Feb	May	Aug	Feb	May	Aug
Rolls-Royce	178	13	-	-	4½	-	-
(*183)	195	3½	-	-	15½	-	-

* Underlying security price. Premiums shown are based on closing offer prices.
January 28. Total contracts: 53,346 Calls: 27,598 Puts: 25,748

TRADITIONAL OPTIONS

First Dealings	Jan. 24	Last Declarations	April 21
Last Dealings	Feb. 4	For settlement	May 3

Calls: Aegis, Alliance Res, Aminex, Bluebird Toys, Brit Polyester, Caldwell, Carpetright, Com-Tek, Dares Est, Europe Energy, Merchant Retail, Nat Hme Lns, Nat Hme Lns 7½%Pf, Ovoca Res, Racal Elec, Rodime, Royal Bk Scot, Sainsbury, Tullow Oil. Puts: Aegis, Brit Polyester, Burton, Caldwell, Com-Tek, Merchant Retail, Royal Bk Scot, Sainsbury, Tullow Oil. Puts & Calls: Caverdale, First Nat Fin, Ovoca Res, Kells Mins, Kunick, Sleepy Kids.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	54	14	10	97	206	87
Other Fixed Interest	0	2	13	5	32	38
Mineral Extraction	45	75	87	304	335	399
General Manufactures	177	150	357	813	758	1,852
Consumer Goods	49	59	87	220	258	496
Services	118	128	276	574	603	1,436
Utilities	33	6	7	114	74	42
Financials	132	68	191	556	417	982
Investment Trusts	123	73	269	531	442	1,352
Others	60	23	27	187	218	163
Totals	791	598	1,324	3,401	3,341	6,847

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	89.5	73	68¾	Baring Emrg Euro	72¼	-½	-	-	-	-
-	F.P.	10.7	49½	33¾	Do Warrants	43¼	-¼	-	-	-	-
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
-	F.P.	33.9	113	101½	Finsbury Under'wrt	113		-	-	-	-
100	F.P.	47.4	119	100	For & Col Small C	118½		-	-	-	-
60	P.P.	18.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	37.8	126	121	Do. Units	126		-	-	-	-
60	P.P.	18.6	63	61	Do. Zero Div Pf	62	-½	-	-	-	-
-	F.P.	5.83	93	83	Pantheon Wrts	83		-	-	-	-
§40	F.P.	7.23	46	44	Rackwood	45		-	-	-	-
§10	F.P.	2.13	11½	10¼	Rossmont	11½		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94½	
80	P.P.	-	88pm	80pm	Pantheon Cv Ln '95/97	88pm	
-	F.P.	-	110¼p	99¼p	Sun Alliance 7¾pc Pf	109¼p	+¼
100p	Nil	18/2	40½pm	27½pm	Trafalger Hse Cv Rd Pf	37½ppm	-½
-	F.P.	-	131	107	Witan 6¼pc Bds	131	+½

pm Price at a premium. p Pence.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price p	+or-
48	Nil	17/2	20pm	8pm	Anglo Irish	19pm	
73	Nil	31/1	15pm	11pm	Cementone	15pm	
88	Nil	9/2	19pm	10pm	Crest Nicholson	10pm	-2
68	Nil	24/2	7pm	¾pm	Hallen	¾pm	
25	Nil	8/2	1¾pm	¾pm	¶Ramus	1¾pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Yr ago	*High	*Low
Ordinary share	2639.9	2627.3	2641.2	2646.2	2671.1	2177.3	2671.1	2124.7
Ord. div. yield	3.52	3.54	3.52	3.52	3.49	4.35	4.52	3.49
Earn. yld. % full	3.98	4.00	3.98	3.98	3.95	5.97	6.38	3.95
P/E ratio net	31.70	31.53	31.67	31.70	31.91	21.35	31.91	19.40
P/E ratio nil	29.39	29.23	29.36	29.38	29.58	19.72	29.58	18.14
Gold Mines	220.0	236.6	225.3	226.1	224.1	74.7	277.9	60.0

*For 1993/94. Ordinary share index since compilation: high 2671.1 24/01/94; low 49.4 26/6/40
Predecessor Gold Mines index since compilation high, 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2619.3	2613.6	2622.5	2618.5	2624.2	2623.4	2639.9	2640.0	2641.3	2642.4	2613.2

	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Yr ago
SEAQ bargains	45,304	36,905	35,725	38,411	41,204	36,852
Equity turnover (£m)†	-	2019.2	1864.3	2004.9	1423.2	1506.2
Equity bargains†	-	43,137	40,851	43,294	45,737	40,859
Shares traded (ml)†	-	847.1	741.5	857.9	720.1	706.3

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24⅜	+⅞	£25¼	£18¼	6,736	4.3	12.9
ANZ A$		259¼	+4½	259¼	130	3,392	3.5	ϕ
Abbey National	†□	498	–6	524	345	6,528	3.0	19.2
Allied Irish IE	§†a□	295	–3	314	178	1,943	3.5	15.1
Anglo Irish IE	N□	69xd	+1	*70	28	195.5	6.2	ϕ
Asahi Y		695	+3	844	415	16,128	0.6	–
Banco Bil Viz Pta		£15⅞	–⅜	£17⅞	£13⅛	3,598	5.3	7.0
Banco Sant Pta		£32⅛	—	£38	£24½	3,689	4.1	12.2
Bank Leumi (UK)		375	—	375	325	29.6	5.7	–
Bk Ireland IE	§a□	305	–3	*319	177	1,437	4.1	22.5
Bank Scotland	§†□	241	—	247	116½	2,805	2.4	32.7
9¼pc Pf		140¼	+⅛	140⅜	117¾	140.8	8.2	–
9¾pc Pf		147¾	+¼	147¾	123½	147.8	8.2	–
Barclays	§N□	627	+9	652	392	10,176	2.5	–
Dai Ichi Kan Y		£11⅝	+¼	£15⅞	£8⅞	38,306	0.5	64.3
Deutsche DM		£315½	+6½	£348⅝	£250½	16,021	1.9	–
Espirito Santo		£24⅝	+⅛	£25⅛	£16½	286.8	3.2	8.0
First Nat Fin	□	90xd	—	*95	45	160.0	2.1	ϕ
6.3pc Cv Pf		88xd	—	*91	55	5.92	8.9	–
7pc Cv Pf		168½xd	+½	169	106	79.0	5.3	–
Fuji Bank Y		1289	+42	1661	876	37,323	0.4	–
HSBC HK	†□	978	–8	1007	474	18,660	2.6	23.4
HSBC (75p Shs)	†□	980	–5	993	490	7,881	2.6	23.0
Lloyds	†□	640	+11	690	492	8,217	3.7	18.3
Mitsubishi Y		£17⅞	–⅛	£19¾	£11⅞	51,315	0.3	–
Mits Tst & Bk Y		811½	–30½	1012½	462½	10,666	0.6	13.0
Mitsui Tst & Bk Y		659¼	–19¾	852	374	7,887	0.8	22.4
Nat Aust A$		597	+6	597	322	7,849	3.8	ϕ
NatWest	†□	593	+7	604	398	9,855	3.7	36.0
Ottomane FFr		£32¾	—	£33	£23¾	163.8	4.6	8.6
Ryl Bk Scotland	§N□	484xd	+3	494	207	3,843	2.8	21.9
Sakura Y		29⅛	+⅛	271	£5⅛	30,033	0.6	56.6
Sanwa Y		£13⅞	+⅜	£16	£7⅞	38,989	0.4	–
Standard Chartd	†□	1337	+27	1370	576	3,183	1.9	–
7 3/8pc Prf		106⅜	+½	108½	105	106.8	8.6	–
Sumitomo Y		£12⅞	–⅛	£16¼	£9⅞	40,389	0.4	27.7
Sumitomo Tst Y		760¼	–27½	987½	437½	9,330	0.7	58.8
TSB	§N□	276½	+1	281	145½	4,197	3.5	21.4
Tokai Y		£7⅞	+⅛	£9⅞	£4⅞	15,547	0.7	51.2
Toyo Tst & Bk Y		643	–15¼	840	411	5,053	0.8	57.3
Westpac A$		247	+5	247	121	4,330	2.2	ϕ
Yasuda Tst Bk Y	‡	480	–38¾	690	343	5,403	1.0	43.6

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Trans Can Pipe ♥ 10⅝ +½ 11⅜ 8⅜ 1,768 4.2

SOUTH AFRICANS

	Notes	Price	+ or -	1993-94 High	Low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£13½	.....	£13½	£7½	805.4	5.2	11.4
Barlow Rand		£4⅞	-	£5⅞	£4	846.8	7.6	7.9
Gold Fields SA R		£14½	-¼	£18	£7¼	1,399	2.8	23.9
NK Props	as	90	----	97	68	3.62	15.1	ϕ
SASOL	♥	289	----	306	215	1,637	5.4	-
SA Brews		£12⅞	----	£15⅞	£7⅞	6,890	2.2	21.0
Tiger Oats		700	----	838	513	1,051	3.3	14.9
Tongaat-Hulett	†	502xd	----	502	212	375.7	3.0	14.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ✤ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IBSR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights.
xa ex all;
xf ex capital distribution.

FINANCIAL TIMES
Weekend January 29/January 30 1994

Mayhew upbeat over Ulster peace prospects

By Tim Coone in Dublin

An upbeat assessment of the Ulster peace process came yesterday from Sir Patrick Mayhew, the Northern Ireland Secretary, following talks in Dublin with the Irish government.

After the first Anglo-Irish conference since December's Downing Street Declaration, he said there was "a rational ground for being hopeful" that there would be a positive response by Sinn Féin, the IRA's political wing.

The British and Irish governments have agreed to give Sinn Féin more time to consider their *joint peace initiative. In the* méantime, however, they will press ahead "as a matter of urgency" with efforts to restart round-table talks between the province's constitutional parties.

Sir Patrick also hinted at greater flexibility on the British government's refusal to respond to demands by Sinn Féin for clarification of the declaration. He said that "through speeches" both governments would continue to "make clear" what the joint declaration offered.

"If there are misapprehensions I will put that right . . . you can call it clarification if you like."

He added that he did not disagree with the content of any recent speeches on the declaration made by the Irish prime minister, Mr Albert Reynolds, or the foreign minister, Mr Dick Spring. These had been expressly aimed at clarifying concerns raised by Sinn Féin. Sir Patrick reiterated, however, that there would be no negotiation or *"unravelling" of the agreement.*

The declaration concedes the principle of national self-determination for the Irish people as a whole, but any new agreement would require majority consent in Northern Ireland.

Sir Patrick's positive tone was in marked contrast to the mood at recent private briefings by the Northern Ireland office for journalists, and suggests yesterday's discussions have given him fresh reasons for optimism.

Mr Spring, asked if he was privy to information that Sinn Féin was moving towards an acceptance of the declaration, said: "I don't think it would be helpful to go into details."

Disagreement emerged over the Irish government's recent lifting of its broadcasting ban on Sinn Féin. Sir Patrick said the decision "sent an inappropriate signal".

Mr Spring raised his government's concerns over British proposals to adjust electoral boundaries in Northern Ireland. As the *proposals stand* "I think they would cause problems for the nationalist community," he said.

David Owen in London writes: The US government yesterday in effect refused Mr Gerry Adams, Sinn Féin president, a visa to attend a conference on Northern Ireland in New York on Monday.

Public talk peace, Page 4

Japan's PM averts crisis with diluted deal on reform

By William Dawkins in Tokyo

Mr Morihiro Hosokawa, the Japanese prime minister, last night averted a crisis which had threatened his survival by watering down his controversial proposals for political and economic reform.

The deal with the opposition Liberal Democratic party was struck at a last minute meeting with Mr Yohei Kono, LDP president.

Failure to reach a compromise could have fatally undermined Mr Hosokawa's five month old government and stalled its plans for an economic stimulus to pull Japan out of recession.

The agreement represents a big concession by the seven-party coalition, but it keeps the important principle of scrapping Japan's system of multi-seat electoral districts, blamed for encouraging corruption by pitting candidates from the same party against one another.

It will go to a parliamentary panel for ratification this morning. Plenary sittings of the upper and lower chambers will be asked to vote on the government's original bills later in the day, on the understanding that amendments will be made in the next session, starting next week. A simple majority is needed before midnight tonight when the present session expires, along with unvoted bills.

Success is likely, because the lower house approved Mr Hosokawa's original reform plans by 270 to 226 last November. Senior politicians on both sides were yesterday confident of success.

However, the compromise was immediately criticised by anti-re*formists in the LDP*, suggesting it will further split the opposition. Mr Yoshinobu Shimamura, a member of the LDP's conservative Watanabe faction, said Mr Kono had no right to strike such an accord on the party's behalf and called for fresh discussions.

A senior member of the Social *Democratic party, the largest* coalition group, said it accepted the plan. "It was a hard decision, made with pain, but it was unavoidable," said Mr Koken Nosaka, director of the party's Diet administration committee. Many Socialists have reservations over political reform, fearing it will further damage their electoral performance.

Mr Hosokawa was forced to negotiate changes after his original plan was voted down in the upper house of parliament last Friday, by the LDP with the help of Socialist defectors.

The compromise would replace the present 511-seat lower house of parliament with a 500-seat chamber, of which 300 members would come from single-seat constituencies with the remaining 200 elected by proportional representation from 11 regions.

Unemployment rises, Page 3

BT suspends performance pay scheme

Continued from Page 1

substantially modified it will have a devastating effect on the morale and commitment of the management staff." He added that BT had made a "fundamental breach of its own performance-related pay scheme".

"BT's action is unfair, divisive, unnecessary and unwise," said Mr Leslie Manasseh, the union's national organiser yesterday. The STE disputes the way BT carried out its pay comparisons and it has been refused access to the raw data.

BT chairman Sir Iain Vallance was a strong supporter of the performance-related pay scheme, believing it would stimulate greater effectiveness.

Britain's biggest company has gone through rapid change since privatisation 10 years ago as it has become more aggressively *commercial. The number of its* managers has been cut by 6,000 while management productivity has risen by 32.4 per cent in terms of operating profit since 1986.

BT's managerial pay bill totalled £663m last year and brought a 4.8 per cent rise in its overall costs. This year it hopes to keep the total pay bill increase down to 2 per cent.

BankAmerica buys Continental Bank

By Richard Waters in New York and Laurie Morse in Chicago

BankAmerica, the US's second biggest bank, is to buy Chicago-based Continental Bank in a $1.9bn deal which marks its first big expansion away from its west coast base.

The deal sent a flurry of anticipation through the stock market, sending the shares of banks which are considered potential takeover candidates sharply higher.

Although BankAmerica had been widely seen as a potential *buyer, it was not expected to* attempt a big takeover until it had fully digested its 1992 takeover of the troubled Security Pacific. Its emergence could prompt others to accelerate their own acquisition plans, speeding up the pace of takeovers in the US banking industry.

BankAmerica will issue 21.25 new shares to Continental shareholders, valued at midday yesterday at $975m, and pay $939m in cash. The cash and paper offer values each Continental share at around $35½.

The purchase will cement the San Francisco-based BankAmerica's position as one of the US's largest corporate banks, and will bring it nearly shoulder-to-shoulder with Citicorp in terms of overall assets. Based on 1993 figures, the new bank would have assets of $209bn, compared with Citicorp's $216bn.

Continental (formerly called Continental Illinois) was the subject of a $4.5bn bail-out in 1984, at that time the US's largest financial rescue, when depositors fled the bank over fears about losses on its energy loans.

Since then, it has shed its retail side and concentrated on corporate banking, becoming the largest corporate bank in the industrial heartland of the midwest. It *had assets of $22.6bn at the end* of last year, and a return on capital of 15.6 per cent, broadly in line with other big US commercial banks.

The deal will strengthen the Chicago corporate banking market, already the second largest in the US after New York.

BankAmerica plans to make the city the headquarters for all its US corporate banking operations, which had assets of around $60bn and after-tax earnings of more than $500m last year. The shares of BankAmerica recovered after falling $1 early in the day to trade at $45⅞ at midday.

US stocks, Page 19

Croatian army troops join Bosnian conflict

Continued from Page 1

Gornji Vakuf, and Jablanica because of the presence and activity of these troops," he said.

Mr Silajdzic also claimed that Yugoslav special forces had entered eastern Bosnia to strengthen Bosnian Serb troops in what appeared to be a co-ordinated military campaign with Zagreb against the Moslems.

Both the Bosnian Serbs and Croats have become concerned about recent military successes of the Bosnian Moslems and are worried about a possible Moslem spring offensive.

The confidence shown by the Bosnian Moslems seems to indicate that Moslem forces are not as badly armed as claimed by the country's political leaders, who have called for a selective lifting of the international arms embargo.

The US Senate on Thursday voted to urge the Clinton administration to end the US arms embargo against Bosnia.

THE LEX COLUMN

Everyday low prices

Mr David Sainsbury, chairman of the supermarket group, has more reason than most to be grumpy about the market's reaction to the company's trading statement. Yesterday's 48p fall in Sainsbury's share price shaved about £165m from the value of his shareholding. While the £365m property write-off caught the eye, the poor trading figures were perhaps the more serious blow. Despite the company's repetitive "essential for the essentials" marketing campaign, like-for-like sales have fallen. Admittedly, the company was up against a particularly strong performance in the previous year. But the notion that Sainsbury's underlying sales could actually be falling is a profound psychological shock to an *already rattled market.*

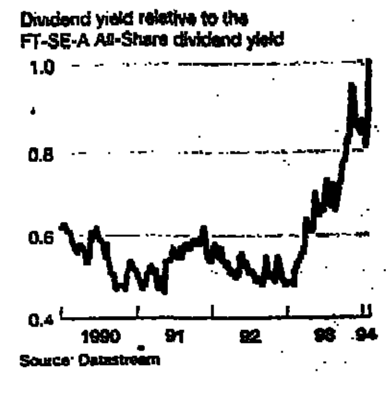
The central question now is whether Sainsbury is right to think that there has been a one-off drop in margins as a result of renewed competition from Asda and Gateway and the arrival of discounters. The more frightening, and perhaps plausible, idea is that the expansion of stores in the last few years has entrenched a level of competition which will drive margins much lower. If that happens, the property write-downs which Sainsbury announced yesterday will not be enough.

Sainsbury's statement also shows that not even the market leader is immune to competitive pressures. Given the way that these have forced Sainsbury to make price cuts and slow its opening programme, its claim that the new level of margins is sustainable looks distinctly suspect. Since Sainsbury only controls an eighth of a market with static demand and rising supply, market forces, rather than Sainsbury's management, are likely to dictate margins in the next few years. On that basis, the company's market yield is not sufficient defence against the bloodletting ahead.

FT-SE Index: 3447.4 (+20.1)

J Sainsbury

Dividend yield relative to the FT-SE-A All-Share dividend yield



Source: Datastream

US economy

Financial markets had been primed for high US growth in the fourth quarter. The surprise was the weak inflation that accompanied yesterday's data with an implicit price deflator of only 1.3 per cent. That seems to give markets the perfect combination of high growth with low inflation. It can only help equities if there is an even longer interval for corporate earnings to grow before the Federal Reserve decides to tighten.

The bond market, too, is clearly *happy to be reprieved. There seems* little likelihood of such high growth continuing. The Clinton administration was quick to point to reasons why the fourth quarter was an aberration; crop losses after last summer's floods were smaller in the fourth quarter than in the third and car production was abnormally high. It will take some time for present trends to become clear, though. Blizzards on the east coast and an earthquake on the west are bound to distort January's data. Higher investment spending on plant might prompt a downward revision to next month's capacity utilisation figures. That would sit badly with any monetary tightening.

Yet the unusual sight of a US administration trying to talk down the growth rate is an indication of worry about how markets would react to any rise in short-term rates. While that concern may now go underground for a while, it is unlikely to disappear altogether and could resurface at any sign, rogue or otherwise, of economic strength. For bonds, this may yet be one of those occasions where it is better to arrive than to travel fearfully.

MidCap index

Head to head competition among London's futures and options exchanges is the exception rather than the rule. But the London International Financial Futures Exchange and OMLX, a competing exchange, are poised to launch rival futures on the FT-SE Mid 250 index. The timing could hardly be better. The MidCap has roundly outperformed the FT-SE 100 index since sterling left the European exchange rate mechanism, rising by 15 *per cent in the last two months alone.* While enthusiasm for second line stocks continues, fund managers will doubtless welcome instruments which help them manage risk.

Less clear is whether there is sufficient demand to support two thriving contracts. There must be a danger that two relatively illiquid products will result, in which case fund managers would stand back. That would start a game of chicken between the exchanges until one or other decided to cut its losses. The more desirable outcome is that a front runner emerges quickly and benefits from a virtuous circle in which liquidity generates interest of its own.

Whichever exchange comes out on top, though, users have the opportunity to decide. By launching its contract at the end of next week, OMLX will be first on to the market. Against that, Liffe's established FT-SE 100 future could give it the edge. The further question is whether interest in second line stocks is sufficient to support a liquid future right through the cycle. Experience suggests fund managers will turn their attention back to the FT-SE 100 index after the economy has turned.

Newspaper Publishing

For all the huffing and puffing of the last few weeks, no serious offer has yet been made for The Independent or the equally ailing Independent on Sunday. Mr Tony O'Reilly's curious proposal almost seems designed to make life as difficult as possible, since it asks shareholders – almost half of whom are hostile – to tender 20 per cent of their shares and accept dilution on the remainder. On the other hand, the consortium of founder-directors, Mirror Group, El País and La Repubblica have not yet proffered anything as vulgar as a cheque. This uncertainty can hardly help the wilting circulation, whatever the merits of free publicity.

Presumably much of the fan-dancing is negotiating tactics, and some nascent bidders may have an eye to the expiry of Newspaper Publishing banking lines in March. Yet the delay risks further serious damage to titles, which can hardly be in shareholders' interest. Matters are not helped by fact that the board and the bidders appear to be talking at cross purposes. The chairman, Mr Ian Hay Davison, says he is conducting an auction, while the consortium says it is trying to start negotiations. As Private Eye would say: "Get on with it - Ed."

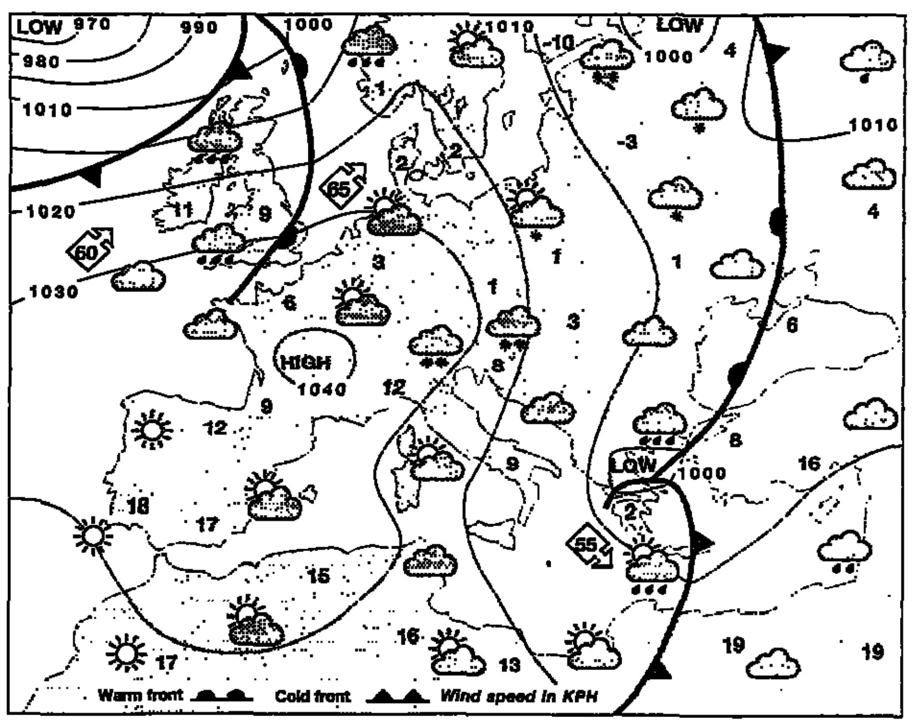
FT WEATHER GUIDE

Europe today

A surge of cold air will move over Scandinavia towards eastern and south-eastern Europe. As a result, Finland, the Baltic states, Poland and the Balkan states will be rather cloudy with snow showers. Snow also will fall in the Greek mountains . Southern Greece and western Turkey will have outbreaks of rain. High pressure will promote fairly calm conditions with sunny spells in most of France. Sunshine will also be plentiful in Spain and Portugal. Italy will have sunny spells mixed with some showers along the east coast and in the south. The British Isles will be mainly cloudy with showers or rain. The Benelux will start off with sunny *spells but cloud and rain will arrive in the late* afternoon.

Five-day forecast

On Sunday, a frontal system will move east over northern and western Europe bringing rain and windy conditions. A high pressure system will temporarily bring settled conditions on Monday. Later this week, changeable weather will return to these parts of Europe. South-west Europe will continue tranquil. A series of depressions will move slowly eastwards allowing gradually improving conditions over south-eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	26
Accra	fair	32
Algiers	sun	15
Amsterdam	cloudy	4
Athens	rain	12
B. Aires	sun	31
B.ham	rain	10
Bangkok	fair	33
Barcelona	fair	13
Beijing	sun	1

Belfast	rain	9
Belgrade	shower	0
Berlin	cloudy	3
Bermuda	cloudy	20
Bogota	fair	21
Bombay	sun	33
Brussels	cloudy	4
Budapest	cloudy	5
C.hagen	fair	1
Cairo	fair	19
Cape Town	sun	28
Caracas	cloudy	27

Cardiff	cloudy	10
Chicago	cloudy	-4
Cologne	fair	3
D' Salaam	shower	30
Dakar	fair	22
Dallas	snow	4
Delhi	fair	25
Dubai	sun	26
Dublin	cloudy	11
Dubrovnik	shower	7
Edinburgh	rain	11
Faro	sun	18

Frankfurt	cloudy	4
Geneva	cloudy	3
Gibraltar	sun	17
Glasgow	rain	11
Hamburg	shower	4
Helsinki	cloudy	-10
Hong Kong	cloudy	21
Honolulu	fair	22
Istanbul	rain	7
Jersey	cloudy	9
Karachi	fair	27
Kuwait	sun	23
L. Angeles	fair	17
Las Palmas	sun	20
Lima	cloudy	27
Lisbon	sun	16
London	cloudy	9
Lux.bourg	fair	2
Lyon	cloudy	2
Madeira	fair	18
Madrid	fair	9
Majorca	fair	16

Malta	cloudy	12
Manchester	rain	9
Manila	cloudy	31
Melbourne	fair	20
Mexico City	fair	24
Miami	fair	27
Milan	sun	9
Montreal	fair	-8
Moscow	cloudy	3
Munich	shower	0
Nairobi	fair	28
Naples	shower	9
Nassau	fair	27
New York	cloudy	8
Nice	fair	14
Nicosia	rain	16
Oslo	fair	-3
Paris	fair	6
Perth	sun	35
Prague	shower	1
Rangoon	fair	33
Reykjavik	sleet	1

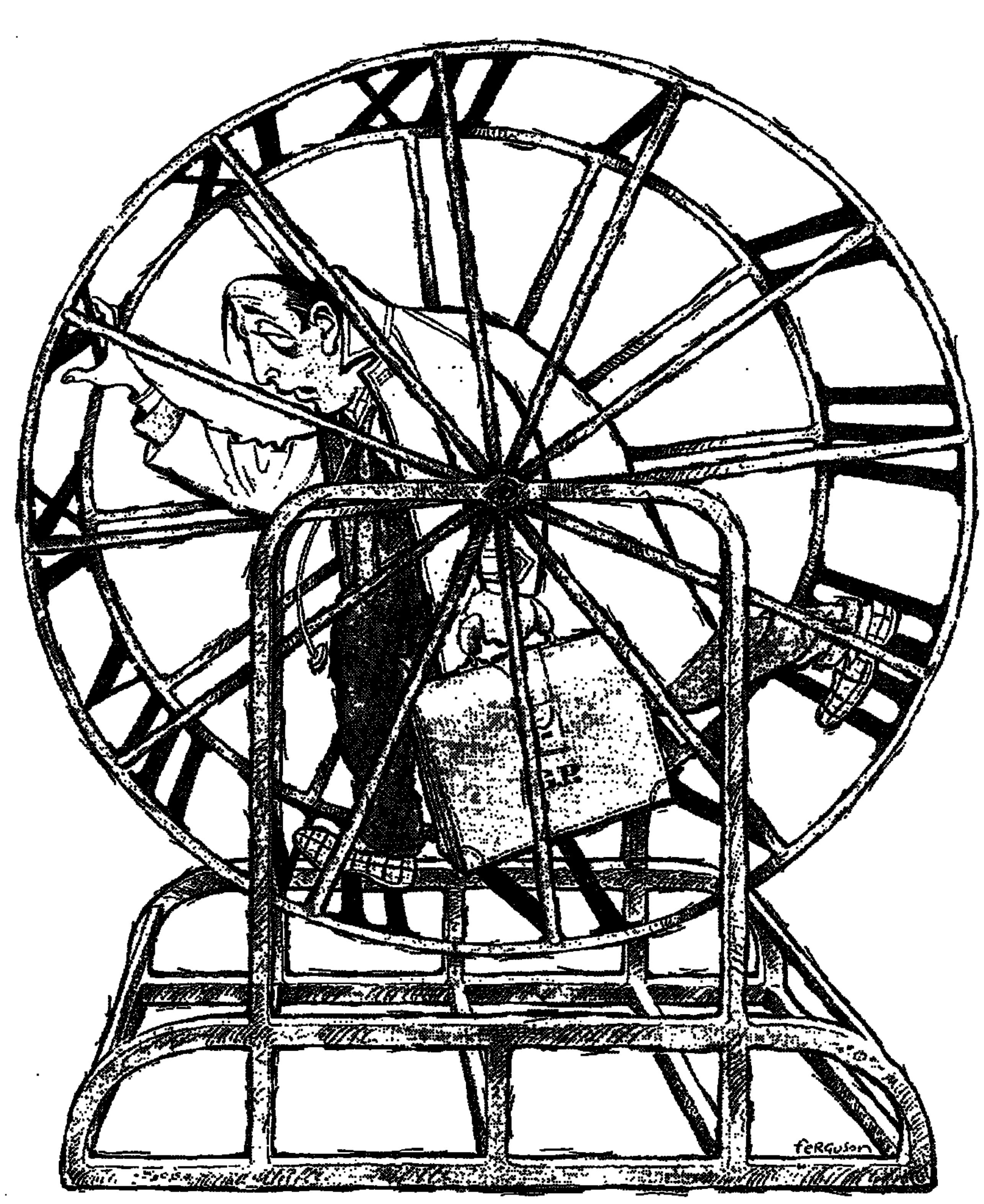
Rio	cloudy	28
Riyadh	sun	25
Rome	fair	10
S. Frsco	fair	15
Seoul	fair	1
Singapore	shower	30
Stockholm	fair	-4
Strasbourg	cloudy	4
Sydney	fair	23
Tangier	sun	18
Tel Aviv	shower	17
Tokyo	fair	2
Toronto	fair	-8
Tunis	cloudy	12
Vancouver	sun	8
Venice	fair	8
Vienna	shower	5
Warsaw	cloudy	0
Washington	sun	8
Wellington	fair	26
Winnipeg	sun	-17
Zurich	cloudy	3

Weekend FT

SECTION II Weekend January 29/January 30 1994

WHAT'S UP DOC?

*They're tired, worn out, stressed and depressed. Round-the-clock working is to blame, says **Dr Julia Riley**, who argues that patients need a disincentive to make out-of-hours calls on their doctors.*



When I came to Britain seven years ago, I was very sceptical about the grumbles of doctors in general practice. Having trained and worked abroad before becoming a GP in the UK, I found little for them to complain about. Consider:

■ The intended average net annual income for a GP in Britain is £40,600.

■ A principal receiving this salary is expected to be available to patients for 26 hours a week. An average GP spends about 15 hours consulting and 10-11 hours visiting each week. The rest of the time is supposed to be spent on administration.

■ Doctors may also offer clinics (such as baby clinics), but these are not compulsory.

In a well organised practice, therefore, the work is not onerous. In addition:

■ The Cost Rent Scheme provides an interest-free loan towards the cost of new premises of adequate standard. These premises eventually become a capital asset for the partnership.

■ The job of a general practitioner is very secure compared with those of other professionals.

I could not believe that GPs had it so easy – until I became one.

Then I found there is one big exception to all these advantages – and it clouded my whole life: the GP's 24-hour commitment to visiting patients in their homes. This is much the greatest, and I believe, a most unnecessary stress faced by the GP. It requires the GP to offer home visits at night, *every* night, 365 nights of the year.

Night visits and out-of-hours calls became the bane of my life. I was not alone, as a recent survey of GPs showed.

When I worked in general practice outside the UK, the doctor was called at night when the problem could not wait until the morning. The person calling the doctor had to decide whether the cost of a night visit was justified. I do not remember an unnecessary call being made.

On a recent visit to the US, I was fascinated to observe the process from a parent's point of view. Shortly after midnight, the baby in the home in which I was staying became unwell. He had a fever, was miserable and cried incessantly. His parents became alarmed and equally distressed. They had tried pain-killers several times but the baby screamed all the louder.

I was asked to have a look at him. I said the child was teething and that he would eventually settle. Despite this reassurance and having a doctor in the house, his parents called the doctor. But in the US, doctors do not routinely make night calls: if medical treatment is required, the patient goes to the surgery.

A dialogue followed between the parents and the doctor. Was the call necessary? Was it urgent? Could it wait for the morning? It was cold, was it fair to take the baby all the way down town in the foul weather? It would cost £70: was this necessary? What else could be done?

It was decided to wait and see. The baby took his time but finally slept soundly.

This little scene would have had developed quite differently in the UK. The parents would have gone straight to the telephone and called the doctor. The doctor would perhaps have written a prescription to justify the visit, and an angry, frustrated doctor would have left knowing he had made a night visit for "teething".

The US family was certainly distressed, but the wisdom of calling the doctor as a first resort must be questioned. If there is no disincentive to calling the doctor, why should patients think about whether a doctor is really needed?

Home visiting in Britain has increased fivefold over 25 years. In 1992-3, there were about 164,000 night visits in England at a cost of £70m.

Dr John Chisholm, deputy chairman of the General Medical Services Council said recently: "There is no underlying clinical explanation for the rise in demand, and the system has reached a point of collapse."

My reply is that the NHS has removed the responsibility of personal health and first aid from the patient and landed it in the lap of the GPs. This results in increased demand and abuse of the system which could ultimately cause its collapse.

As soon as a doctor receives a call he takes on a professional responsibility: a simple fever could be meningitis; the person explaining the problem over the telephone may be far from accurate; the patient may insist on a visit (which they have a right to do).

This leaves the GPs in a dilemma: do they give advice on the phone and worry that all will be well; or do they make what is usually an unnecessary visit.

During a year as a GP in London I found very few out-of-hours calls that were, in my opinion, justified. No doctor objects to visiting patients in need – not a doctor in the land would object to arriving at a home where a diabetic is uncontrolled, an asthmatic is short of breath, or a patient with angina has crushing chest pain. Indeed, it is very satisfying to be able to help in such cases.

The average GP is on a one-in-four rota, which means he is on call one in four nights and one in four weekends. But only a third of British doctors have access to a deputising service, which means most work all day and then take on further responsibilities at night.

The night calls then become a constant frustration: the patient has power to demand a visit, without the responsibility of assessing the need.

Employing a deputising service is not a satisfactory answer, however, as the GP then has to pay for the visits requested by the patients of that practice.

And the deputising service system is open to abuse. A friend of mine was recently a locum for a deputising agency in order to supplement his income. On one visit, the door was answered by a woman who said: "I am so glad you have come. The pipe burst and the water is everywhere."

Bemused, he replied, "I think you are mistaken, I am the doctor, and I think you need a plumber."

"Oh, I know you are the doctor, but the plumber would not come and I knew that you would."

In true British spirit, he mended the pipe.

I left general practice 15 months ago, so for an up-to-date assessment of how badly the system is working, I called a friend and former colleague at about 8.30 on a Sunday evening: "How are you?" I asked. "Don't ask," came an instant reply. "I am on call, the weekend is not over, and I have already had 45 calls."

"How many of the calls were necessary?" I asked. "Well that is a matter of opinion. The patients thought 45 calls were necessary. If you want my opinion ... I admitted one patient to hospital, and another five were reasonable calls."

What is the solution? Education might help, but is a slow process. Nothing will educate the public faster than a disincentive, such as mention of the word "payment".

Unfortunately, the word is anathema to those working in the health service. Magnanimously, they will proclaim that it should provide "free" care to all.

So what about emergency centres? These are to be introduced from April and could bring about big changes. Patients will be asked to go to these centres, staffed by GPs and nurses, rather than have the doctor visit them in their homes. No charge will be made.

This is an excellent idea, combining care, free service and a disincentive for unnecessary use. The patient rather than the doctor must decide whether a trip to the emergency centre is needed.

Emergency centre pilot schemes indicate that the number of home visits can be halved, since home visits are made only to those who cannot get to the centre.

But the idea still has its detractors. One common argument is that people want care from their own doctors, which is fine in principle. But an emergency is an emergency. In such circumstances all that is needed is a competent doctor to take care of the acute episode.

Aftercare can be taken over the following morning by the patient's own GP, who will have enjoyed an undisturbed night, be less stressed, less grumpy and better able to deal with the continuation of care from the night's emergencies as well as treatment of the other patients due to see him that day.

The introduction of the emergency service will not exclude all home visits. According to Dr Ian Bogle, chairman of the GMSC, home visits will be made when the patient would be harmed by travel, for example.

Having left general practice, I now work full time in Palliative Medicine (terminal care). We make home visits all the time and the pleasure is ours: home visits will continue to be a central theme of our care in the community.

It is surprising, however, how seldom the elderly or seriously ill request a visit. They are all too often heard saying "I did not want to disturb the doctor".

In a nationwide GMSC survey, 84 per cent of GPs supported the concept of primary emergency centres. There are plenty of reasons for these centres to succeed: in educating patients; in making patients responsible for decisions on their own care; in reducing patients' expectation of an overburdened health service; and in decreasing stress for doctors.

After the patients' charters, this could

Continued on Page XI

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Avril Groom asks the top fashion gurus whether haute couture matters XV

The Long View / **Barry Riley**

When debt lingers on

Is the American locomotive at last picking up speed and beginning to pull the stagnant global economy out of the sidings? Yesterday's preliminary estimate of US gross national product growth of 5.9 per cent in the October-December quarter gives hope to the optimists. But there is a long way to go.

To start with, the Americans present their statistics in their very own special way. Although it seems to have been a good quarter, the year-on-year growth rate was only 2.9 per cent. And with tax increases on the way, the underlying pace of advance is not really very exciting. Moreover, it has been achieved with the help of very lax monetary policy, which surely will have to be tightened soon.

In the UK, there is a fair degree of business optimism, judging by the latest survey from the Confederation of British Industry which indicated that prospects in manufacturing were the best in 4½ years. The reported latest 2 per cent economic growth rate is probably an under-estimate. But the extraordinary renewed fuss over the tax increases imposed in last year's two Budgets – to which people have apparently woken up on receiving their new income tax codings – is a reminder of the fragility of confidence.

Politicians can juggle their spending and taxing policies but, in the end, they cannot square a circle. Just look at how Japan, the epitome of successful economic manipulation since the 1960s, has slumped into political chaos.

The indebtedness generated in the bubble economy of the 1980s continues to threaten financial collapse and, under the strain of the adjustment, the country's renowned political and industrial consensus ("Japan Inc") has fallen apart.

In the end, economics imposes its own solutions. For British investors, this week's publication of Barclays de Zoete Wedd's hardy annual, the Equity-Gilt Study, may stimulate some thoughts on the eternal triangular battle between economic growth, inflation and interest rates.

Since 1918, the real return on UK equities has been 8 per cent a year on average, beating the long-dated gilt-edged return by 6 percentage points. No contest: history thus tells us that the outperformance by gilts over the past four years, by 4 per cent a year, has been just a blip.

But, although history cannot lie, it may speak with a forked tongue. Between the wars, gilts offered strong real returns. The problems developed later because of the chronic high inflation (unmatched by bond yields) in the post-second world war decades up to and including the 1970s. Experience in the two periods was quite different. So, if the climate of the 1930s was to return, might gilt-edged investors reap their reward? True, in the 1930s, equities provided a still higher real return than did gilts.

The key to the inter-war years, however, was deflation – an average annual fall in prices of 2 per cent. That is surely not going to happen again, because governments have abandoned the gold peg for their currencies and have generally established targets for the *minimum* as well as the maximum annual growth rate of the money supply. The banking collapses of the early 1930s that led to severe monetary contraction in the US are not going to be allowed to recur.

Instead, central banks in the advanced economies are pumping out liquidity on a vast scale. In the past year, the narrowly-defined US money supply has expanded by more than 10 per cent (although the broader measures, which include savings deposits, have been depleted by large shifts into mutual funds and other theoretically long-term assets).

In present conditions, the easy credit strategy is pushing up the prices of financial assets rather than of goods and services. But the *potential* is there for more general inflation and there will not, at any rate, be the *falls* in prices (except possibly in Japan) that once persuaded holders of Consols in the UK that yields of 3 or 4 per cent were acceptable; in the 19th century, prices were as likely to fall as rise.

Will the strategy of bailing out busted banks really achieve its object, though? No one wants to endure the financial chaos that arises from massive defaults, but the positive side of such collapses in the past – for instance, in the US in the early 1930s – was that they destroyed debt and thus de-geared the national balance sheet, an essential precondition for an eventual recovery.

Nowadays, the old debt lives on: household borrowing in the UK remains at very close to record levels (more than 100 per cent of personal disposable income, twice as high as in the early 1980s). For the moment, a fall in the saving ratio is fuelling a rise in consumption, but high indebtedness and slow income growth indicate that those looking for sustained rapid growth in consumer demand will be disappointed.

If the UK economic growth rate sinks back later this year to, say, 1.5 per cent, the government will be forced to recognise that only more overtly inflationary policies – of cutting interest rates, encouraging a decline in the sterling exchange rate, and tolerating a rapid growth of the money supply – will restore expansion at a rate fast enough for the Treasury's tax-gathering projections to be met. The implicit choice of fast inflation to destroy debt was, of course, the UK's escape route from the mid-1970s' debt crisis.

The key indicator here is the ratio between the long gilt yield and the equity yield, now 2.0. Between the wars, according to the BZW study, this yield ratio was on average 0.8, reflecting not only the absence of inflation but also poor expectations of economic growth. Since 1945, however, the average has risen sharply to about 1.7, and the ratio has shown surprisingly little tendency to decline over the past couple of years.

By implication, although investors have reduced their expectations of the *rate* of inflation, they still believe it will persist over the very long term. And in the US, too, the economic locomotive is absorbing an awful lot of monetary fuel.

MARKETS

London

Are equities heading for nirvana?

Roderick Oram

Who can blame the equity market for pausing to take stock when the Tories tax like Labour and Lonrho reports like Hanson?

"Total deception," thundered Labour as it challenged the Tories claim to be the low-taxers, when come April the Tory tax take will hit a record 32.9 per cent of average earners' income.

"There are no differences between Mr Bock and me... We will be acting as one," beamed Tiny Rowland as peace broke out again at Lonrho. Clearly, the company's charismatic founder and Dieter Bock, *his heir presumptive*, fancy new roles to play. Perhaps they were rehearsing a double act along the lines of Lords White and Hanson.

Consumer sensitive stocks wobbled on the tax news and Lonrho shares hit a two-year high, providing two of the few highlights in a week in which the market drifted lower and trading volumes eased. The FT-SE 100 fell for the first four days but recovered some yesterday to end the week down a net 36.8 points at 3,447.4.

Shares were a shade unsettled after Wednesday's gilts auction was less successful than hoped. *Appetite* for the £2.75bn of gilts was weaker and bidding less aggressive than at the previous auction. But nobody believes the government faces a funding problem this year.

A reminder of gilts' attractiveness came from BZW in its 39th annual review of investment returns. For the third time in five years gilts performed best, notching up a real total return of 26.4 per cent last year. *Equities, despite* all the market excitement, trailed at 25 per cent.

Do not worry that stocks are now modestly overvalued on a *dividend yield model*, BZW advised investors. The bull market has plenty of life in it thanks to stimulative monetary policy and rising corporate profits which are claiming a growing share of GDP. If stocks were as overvalued as they were at the last peak in 1968, *the FT-SE 100 would be* trading at 5,500.

"I think the market has given up listening to analysts – that's what the sheer weight of money has done to it," said one of the City's most persistent bears. He has argued strongly for a market retreat since the FT-SE 100 first challenged 3,100 but the torrent of money into the market has kept it rising.

Not just the institutions have money to invest in equities. Last year, for example, a record £9.1bn – the bulk from private investors – poured into unit trusts. Investment trust *launches took another £2.2bn*, three times their record.

The decision to switch money into equities is captured in the accompanying chart of funds flows of the personal sector in the UK. In 1988, 15 per cent of individuals' funds moved out of equities. The tide *turned in 1992* and last year some 10 per cent went into equities, reflecting their attractiveness as interest rates fell.

With people piling into equities, are we heading for an equity nirvana where stock tips spout forth from the mouths of elevator boys?

Optimism is high but drama low, said Mary Blair, product development director for Fidelity, the UK fund manager. "We have had a high volume of calls from customers since last autumn. But before Christmas many calls were administrative... such as checking on balances. Now people are say*ing 'I want to invest'," Even so*, "they are a little more controlled, more sensible in their choice of investments than in 1987."

There is no sign yet, said Robin Aspinall, market strategist at Panmure Gordon. As a confirmed bear, he would be the first to seize on evidence of a frothy top to the market. "It's a liquidity push to stocks, not a price pull."

He worries that the liquidity *will dry up. It is impossible to* forecast when the investment tide will turn but investors will begin to hesitate over equities because, for example, of an upward turn in interest rates. "You don't have to take money out of the market... just a reduction in the inward flow *would start the downward spiral*."

Cash flow was very much on the mind of supermarkets this week as first Wm Low, the Scottish chain, and J Sainsbury, the sector leader, delivered disturbing news of their tighter circumstances. Investors sharply cut share prices to clear surplus stock.

The sector, revelling in his*torically high margins*, had romped through the recession building expensive superstores with abandon. Then shoppers grew picky about prices and discounters began harrying the full-service chains. First Asda called the turn and adusted its strategy, joined two weeks ago by Tesco with its own news of writedowns and a shift to smaller stores. This week Low, particularly hard hit by discounters, admitted its like-for-like sales had actually fallen and margins slimmed in its first half.

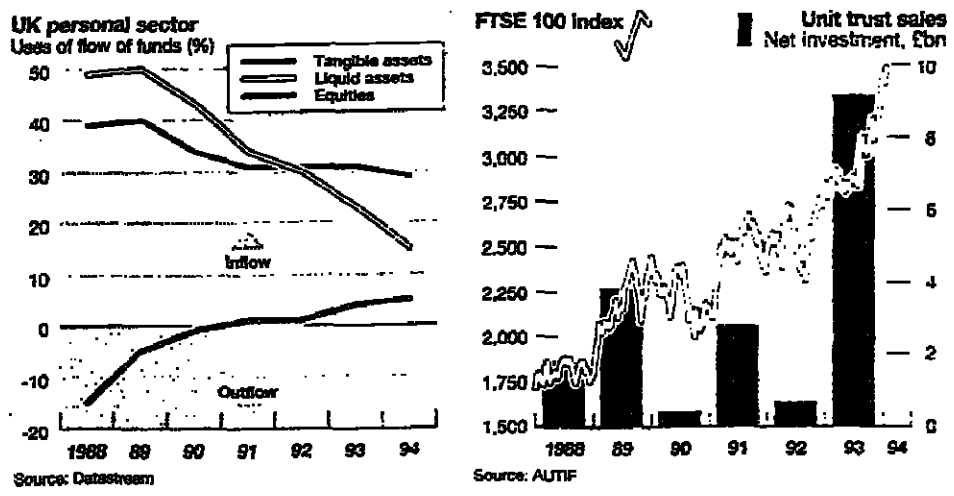
Finally yesterday, Sainsbury fell into line. Its like-for-like *sales and margins had also* fallen, it was writing off overvalued sites and starting to depreciate its assets. No-one doubts Sainsbury's clout, but it will not be using it to such profitable effect in the future.

Elsewhere in the retail sector, Christmas sales continued to sort out the good from the indifferent and bad. Burton joined Dixons and Kingfisher in the third category. Next and MFI joined Storehouse, Signet and *Laura Ashley in the first* group.

Burton was particularly disappointing. On Thursday, it delivered the worst of all possible scenarios: flat sales and falling margins, even from its revamped chains such as Top Shop and Principles.

But cash flow was pushed into the shadows at Lonrho's headquarters when it announced results on Tuesday. The fact that the group can still barely generate enough cash from continuing operations to cover interest, dividends and tax was a sideshow. The limelight was on the Tiny-Dieter duelling duo.

Flowing my way: money pours into equities



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993/94 High	1993/94 Low	
FT-SE 100 Index	3447.4	-36.8	3484.2	2737.6	Bond market weakness
FT-SE Mid 250 Index	4065.8	-40.0	4148.8	2876.3	Profit-taking
BP	367	-11½	385½	225	US selling
Bass	564	-32	647	441	Beer price war fears
Burton	57½	-14½	87½	56½	Dull Christmas trading
Eastern Electricity	700	+29	704	399	Dividend buying
Hogg Group	140½	-28½	228	122	Profits/dividend warning
Lonrho	155	+9	159½	70	Good results/board room changes
Pearson	676	+36	677	342	Analysts' recommendations
RMC	999	-74	1079	555	James Capel downgrade
Reed International	928	+26	930	618	Broker "buy" note
Reuters	1973	+76	1993	1240	Share split hopes
Sainsbury (J)	393	-67	584	360	Poor trading statement
Shandwick	51½	+19½	51½	14	Encouraging results
Transatlantic	440	+25	440	239	Sun Life new business figs

Serious Money

Fee-based advice may be the answer

Scheherazade Daneshkhu

A reader telephoned recently to say that he had £80,000 in the building society. He knew this was a lot to keep on deposit but did not know where to go for advice because he could not "trust" anyone. He said he did not want to con*sult* an independent financial adviser because the advice would be influenced by the commission received on the sale of investment products.

This is a position in which many people can find themselves. It is one reason why today we are beginning a series of profiles of fee-based independent financial advisers around the UK (see Page V).

The complex structure of salesmen, tied agents and independent financial advisers which characterises the financial services industry, is not an easy one in which to find impartial advice. It is difficult *to know, for example, which of* the alphabet soup of regulators is meant to be on the business card of an eager adviser.

This confusion was highlighted in a recent survey in *Money Week*, a trade publication. It found that, although 44 per cent of those surveyed said they were certain they knew what was meant by the term independent financial adviser, on further questioning it was *clear most did not.*

Independent financial advisers are distinguished from the rabble of sales agents by the word "independent". However, independent in this context simply means being independent of having to recommend the products of a *sole company – most IFAs still* rely for their living on the commission they are paid by the companies providing the products they recommend to the public.

People think they are getting "free" advice" but they are paying for that commission through increased premiums or charges on the products. The system is open to abuse because investments may be recommended which are not in the best interests of the client but earn the IFA commission.

Now, there are many diligent IFAs who want to build up a long-term relationship with clients, and work hard to make sure that they are happy. They will therefore include investments such as National Savings, which pay no commission, in the hope of keeping their clients' business and picking up more through personal recommendation.

However, there are many IFAs who are not so scrupulous and the potential for abuse is not confined to small, sleazy outfits. Last December, Noble Lowndes and Partners, one of the UK's largest chain of IFAs, was fined £740,000 by the regulators for switching people out of their occupational pension schemes and into personal pensions without proper documentation, sometimes against the obvious interests of the client.

But change is afoot. From next year, investors must be told how much commission salesmen and advisers earn. This should mean that a client will know that their IFA will get 5 per *cent in commission for selling* them a single premium investment bond, but 3 per cent on a unit trust.

Commission disclosure has been fiercely resisted by the life industry but although some of the arguments have merit, others are worryingly self-interested.

One IFA was quoted in the trade press recently complaining about an incident in which one of his clients had found another IFA willing to split the commission on a deal he had recommended. The IFA sounded dire warnings that commission disclosure would result in investors "shopping around" for the best deal – as if this were an outrageous thing to do.

Unfortunately commission disclosure is very much a *partial solution*. The wool will still be pulled over most investors' eyes since it is likely to result in the industry restructuring the way in which commission is paid.

Instead of taking the commission upfront, IFAs are likely to be paid less initially, *taking most of the commission* spread over the first years of the life of a policy or investment. The increased costs of administering commission steadily over the years will inevitably be passed on to the consumer.

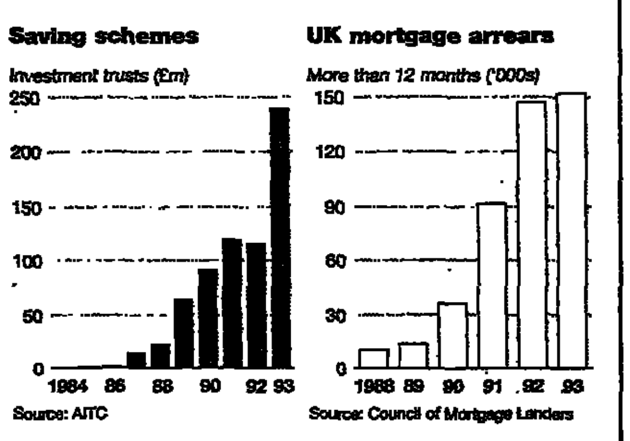
The FT has consistently taken the line that fee-based advice is more likely to result in impartial advice. This is not to say that it is always bound to be better. After all, there are plenty who have paid expensive accountants or lawyers fees and been dissatisfied. However, if the client pays for advice, that advice is more likely to be unbiased.

When it is in a positive mood, the industry's reply to this is that it too would welcome fee-based advice but clients are not prepared to pay for it. But this is because consumers think they are *getting "free advice" when* they go to a commission-based IFA.

At the moment, consumers who buy investments through an IFA are paying for the many who take up the IFA's time, but do not end up doing business. If a system of disclosure is put into place which allows investors to know clearly how much they are paying through the commission system, it should not be long before they are happy to pay fees for financial advice instead.

Only then, can people like our reader feel able to trust their IFA.

AT A GLANCE



Money flows in to trusts' savings schemes

The flow of money into investment trusts through savings schemes more than doubled to a record £239.61m last year, an increase of 107 per cent from the 1992 figure of £115.5m. Investment trust savings schemes, which allow investors to put *regular small amounts or lump sums towards building up a* holding in a trust, were first introduced in 1984 but took several years to gain popularity. The total invested through this method has mushroomed from £89,000 in 1984 and £22.5m in 1988, to £64m in 1989, and £119.5m in 1991.

The average monthly saving is now £80, and the average lump sum investment is £1,830. There are are almost 71,000 savings scheme accounts. A total of 36 management companies now offer schemes covering 155 investment trusts.

Mortgage arrears rate slows

The number of mortgages more than 12 months in arrears increased to 151,810 at the end of 1993, up from 147,040 at the end of 1992. Although the numbers of those in long-term arrears *has grown, the rate of growth has been slower than in recent* years. Those with arrears of 6-12 months fell from 205,010 at the end of 1992 to 164,620 at the end of last year. The number of homes repossessed last year by mortgage lenders also fell, by 10,000 to 58,540 – a fall of 14.6 per cent – on the previous year.

Solicitors' services

ASIM is a new organisation aiming to promote awareness of solicitors' portfolio management services. It has 17 member *firms, managing more than £600m of clients' money.* Members must be regulated under the Financial Services Act, authorised by the Law Society to provide a continuous investment management service, and show that staff have appropriate investment qualifications. Solicitors are obliged by Law Society *rules to operate on a fee rather than commission basis.*

A directory of ASIM members is available free from ASIM, Baldocks, Chiddingstone Causeway, Tonbridge, Kent, TN11 8JX. Tel: 0892- 870065.

Norwich Union dental link

Norwich Union Healthcare is linking up with MIDA Dental Plans to offer cover for dental treatment at three levels. Premiums will range from £6 to £12 a month, depending on the level of cover and where you live. Age and previous dental history do not matter.

The levels start with basic cover for examinations, X-rays, fluoride treatments and scale and polish, plus worldwide *emergency cover. The medium level adds basic fillings and* simple extractions, while the top of the range plan also covers root canal fillings, non-surgical treatment of gums and crowns.

Slight gain for smaller companies

Smaller company shares notched up a slight gain this week. The Hoare Govett Smaller Companies Index (capital gains version) rose 0.6 per cent to 1839.14 over the week to January 27.

Wall Street

Within striking distance of 4,000

Next stop 4,000? The Dow Jones indus*trial average seems* within striking distance of this psychological marker as it continues its record-breaking rally, in spite of a pause for breath at the start of this week.

The main reason: further evidence that while the econ*omy is growing strongly, infla*tion remains subdued, which should alleviate pressures for an early tightening of credit.

This benign combination was underlined yesterday morning with the release of GDP figures for the fourth quarter of 1993, showing the economy growing at an annual rate of 5.9 per cent, ahead of Wall Street forecasts, pitched at around 5.2 per cent.

However, the bond market, *which usually fears strong* growth, took the GDP figures in its stride because they were accompanied by statistics showing lower-than-expected inflation.

In addition, economists do not expect the fourth quarter growth rate, which was boosted by *special factors, to* be sustained in the first quarter of this year, particularly in view of the severe winter weather which has hit the east *of the US and the Los Angeles* earthquake.

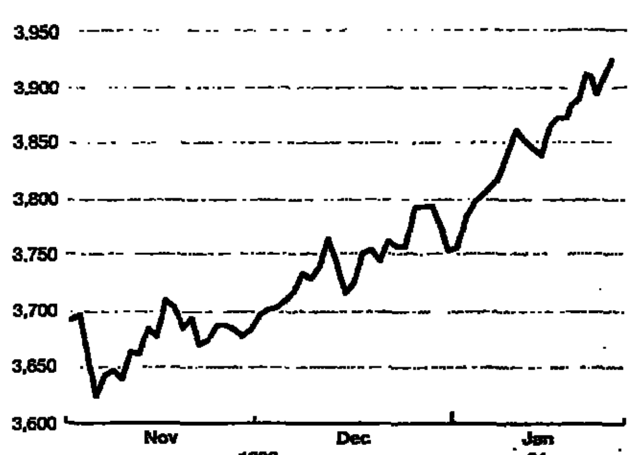
Stock markets, which paused on Monday and Tuesday after the previous week's strong run, resumed their upward advance on Wednesday, buoyed by a rally in the Dow Jones Utility Average, *which some regard as a lead*ing indicator of interest rate trends.

The bullish tone was underpinned by yesterday's figures, and at lunchtime the Dow stood at 3,943.74, up 17.44 on the day and 29.26 on the week.

Interest-rate sensitive stocks, such as banks and insurance companies, which have suffered recently because of fears of tightening credit, rallied in the second half of *the week on the back of the* better bond market sentiment.

And bank stocks were further enlivened on Friday when California-based BankAmerica, the largest bank on the West Coast and the second-largest in the US, announced a $1.9bn bid for Continental Bank, the *Chicago-based* wholesale group which specialises in corporate lending.

Dow Jones Industrial Average



The takeover, the latest in a *long-term consolidation of the* US banking industry, is the first big move by BankAmerica to diversify geographically from its west coast base, and the acquisition will make it a substantial presence in the economically buoyant midwest.

For Continental, the bid represents a final chapter in its recovery from the dark days of 1984, when the bank had to be rescued by Federal authorities from near collapse.

Hopes of sustained economic growth have also given a fillip over the past week to companies in cyclical sectors, whose fortunes tend to follow those of the economic cycle. The movement has been reinforced by encouraging *fourth quarter* results from some leading capital and intermediate goods manufacturers.

Shares in Caterpillar, the heavy plant and machinery maker, have performed strongly since the group reported good figures on January 21, and the stock got a further boost with Thursday's news that US durable goods orders rose 2.2 per cent in December, the fifth consecutive monthly advance.

A good run of results from steel-makers, buoyed by strong demand from car manufacturers and construction companies, continued this week with better-than-expected figures from Bethlehem Steel, the second largest company in the sector, which forecast a further improvement in demand through 1994.

However, International Business Machines cast gloom over the market on Tuesday when it reported fourth quarter earnings which were lower than forecast, and an unexpected decline in sales.

IBM did manage to get back into the black – its first quarterly profit in more than a year – but the figures showed *just how far Lou Gerstner*, now coming up to his first anniversary as chairman, still has to go to restore the business to robust financial health.

IBM's sales of mainframe computers, on which it remains highly dependent, fell 30 per cent in the quarter, which more than offset a 35 per cent surge in sales of lower-margin personal computers and a 4 per cent increase in workstation sales.

Jerome York, IBM's chief financial officer, has been slashing the company's bloated cost base, taking $2.8bn out of expenses in 1993. He plans a further $3bn cut this year, which may be enough to offset falling profits from mainframes.

His forecast that the company will break-even in the first quarter helped stabilise IBM stock after a tumble early on Tuesday morning. As York told analysts: "This ain't a candy store on Main Street, and it won't be turned around in one or two quarters."

Martin Dickson

Monday	3912.79	– 01.69
Tuesday	3895.34	– 17.45
Wednesday	3908.00	+ 12.66
Thursday	3926.30	+ 18.30
Friday		

The Bottom Line

Lonrho keeps them guessing

"He has done *everything* we could reasonably have expected of him. But Lonrho is still a long way from being a mainstream investment for us because we still know so little about him."

These comments about Lonrho's joint chief executive, Dieter Bock, were made by the head of a substantial UK investment institution earlier this week after Lonrho published its first annual results since Bock joined the company early in 1993.

His mission has been to make Lonrho - which, for 30 years, has been the vehicle of Tiny Rowland - into a more normal company. For all his skirmishes with Rowland over the past few months, Bock is not feeling too unhappy about progress. After all, he is sitting on an unrealised profit of more than £70m on his 18.8 per cent *Lonrho shareholding.*

The share price rise, from a low of 59p in October 1992 to 155p yesterday, stems from some genuine changes at the company. The balance sheet has been strengthened by the sale of businesses and assets for £322m, reducing the ratio of net debt to equity from 57 per cent to 31 per cent.

A complicated corporate structure has been simplified by focusing the company on four core divisions: mining, *hotels*, agriculture and general trading. Further dealings with Libya - in the form of a joint venture to finance a film about the Lockerbie *bombing* - have been halted.

Finally, Bock has ended Rowland's domination of the board. First, he secured the appointment of three non-executive directors, the company's first for 30 years. Then, only a few days ago, he persuaded *four long-serving executive* directors - all of them above the normal retirement age at most other companies and all close supporters of Rowland – to step down.

Even the expensive legal battle against the Fayed brothers over their 1985 purchase of *House of Fraser*, which cost Lonrho up to £5m in 1993 alone, has been ended following a highly theatrical reconciliation between Rowland and his long-standing adversaries.

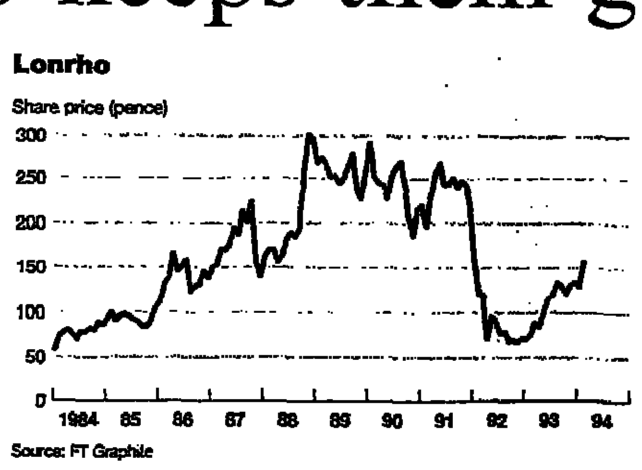
Further progress could be slower in coming, though. The company is still much less transparent than most because so many of its important businesses are in Africa (generating 90 per cent of profit from continuing operations last year) and depend to an indeterminable extent on Rowland's relationship with local rulers.

Nor is Bock's strategy entirely clear. The general *trade division* is a catch-all, giving no clue to further asset disposals or future acquisitions.

Lonrho's recent share price rises have been dictated to a large extent by estimates of net asset value which, including the company's 45 per cent shareholding in Ashanti Goldfields at market price, is probably in excess of 180p per share. But Bock has yet to demonstrate that he can increase revenues and profit margins: the return on assets from continuing operations was an unremarkable 6 per cent after tax last year.

Even if profits from these continuing operations were to rise by 50 per cent to around £120m before tax *this* year, the shares would still be trading on a price/earnings ratio of more than 20, which is hardly cheap given the uncertainties.

Lonrho



The balance sheet will be strengthened further in the coming months, however, by the stock market flotation of Ashanti. There *is also a chance* – given any resurgence in US inflationary pressures – that commodity companies such as Lonrho with its vast gold, platinum, coal and food interests could return to stock market fashion.

The next stage in Bock's "normalisation" campaign is to persuade investment institutions to end their near-boycott of the shares (they own around a third of the equity, a low proportion).

One big institution has started recently to accumulate shares; but the choice of a new chairman to replace Rene Leclezio who is retiring, will be crucial in determing if other investors do the same.

The institutions want someone with a background in international business whom they respect and who will have the time to visit all Lonrho's dispersed businesses. As one fund manager said: "We want someone to kick the tyres."

Robert Peston

Now Europe goes private

Catherine Milton looks ahead to the big sell-offs planned on the Continent this year

The word privatisation sends pound signs flashing before the eyes of anyone who shared in the generous returns from the sale of Britain's state assets to the private sector in the 1980s. Many UK private investors will be hoping for similarly rich pickings from privatisation issues worth about £75bn which are planned by European Union governments and for which all EU nationals have an equal chance to subscribe.

Almost every EU government plans to sell at least a few corporate assets soon. Many are in high-yielding sectors such as telecommunications, utilities, energy and finance. This means that some of the privatisation stocks could give investors almost the same yield available from a building society account, with the added benefit of potential capital growth – and a commensurate risk of loss.

The planned sales include the French government's 51 per cent stake in the country's largest industrial company, the oil group Elf Aquitaine; KPN, the Dutch telecommunications company, due to be sold before the end of June; and the Italian government's projected disposal of its controlling stake in Istituto Mobiliare Italiano, the big Rome-based financial services group.

■ **Will European offers be a good buy?**

So far, some issues have gone better than expected and none has flopped. In France, where the most ambitious continental privatisation programme is under way, the first two issues – Banque Nationale de Paris, one of the country's biggest banks, and Rhone Poulenc, the chemicals group – were oversubscribed heavily by both individual and institutional investors. Profits before costs, seen in early dealings, were 21 per cent and 11 per cent respectively on local applications.

But will the European privatisations be similar to those in the UK? There are two main aspects: the initial pricing and subsequent performance.

A study by the London Business School showed that an investor holding a basket of UK privatisation stocks*, bought at flotation and sold after one week, would have realised a 32 per cent increase in capital value compared with a market average of 0.2 per cent. By keeping the basket until October 1 1988, the investor could have increased the capital value by 166 per cent compared with a 77 per cent market average.

This indicates that a substantial proportion of the total gain was earned in the first week, which suggests that the British government's pricing policy was highly significant in contributing to the high returns on UK privatisation stocks.

Pricing policy across the EU is likely to vary between countries and assets. Moreover, the volume of privatisation stock could stretch international markets. A survey of 55 investment professionals around the world by Burson-Marsteller Financial, a UK investor relations practice, concluded: "Respondents suggested that the number of privatisations currently or about to take place in European countries, such as France, Italy, Spain, Germany and the Netherlands would put strains on international capital markets as they try to absorb the vast amounts being raised."

Others are optimistic. Richard Davidson, European equity strategist at Morgan Stanley, says: "The conditions for European equity markets are generally positive for the longer term. With interest rates falling and inflation running at low levels, the only nagging query is a general lack of growth for now." He believes people will switch their cash and fixed-interest investments into the new issues.

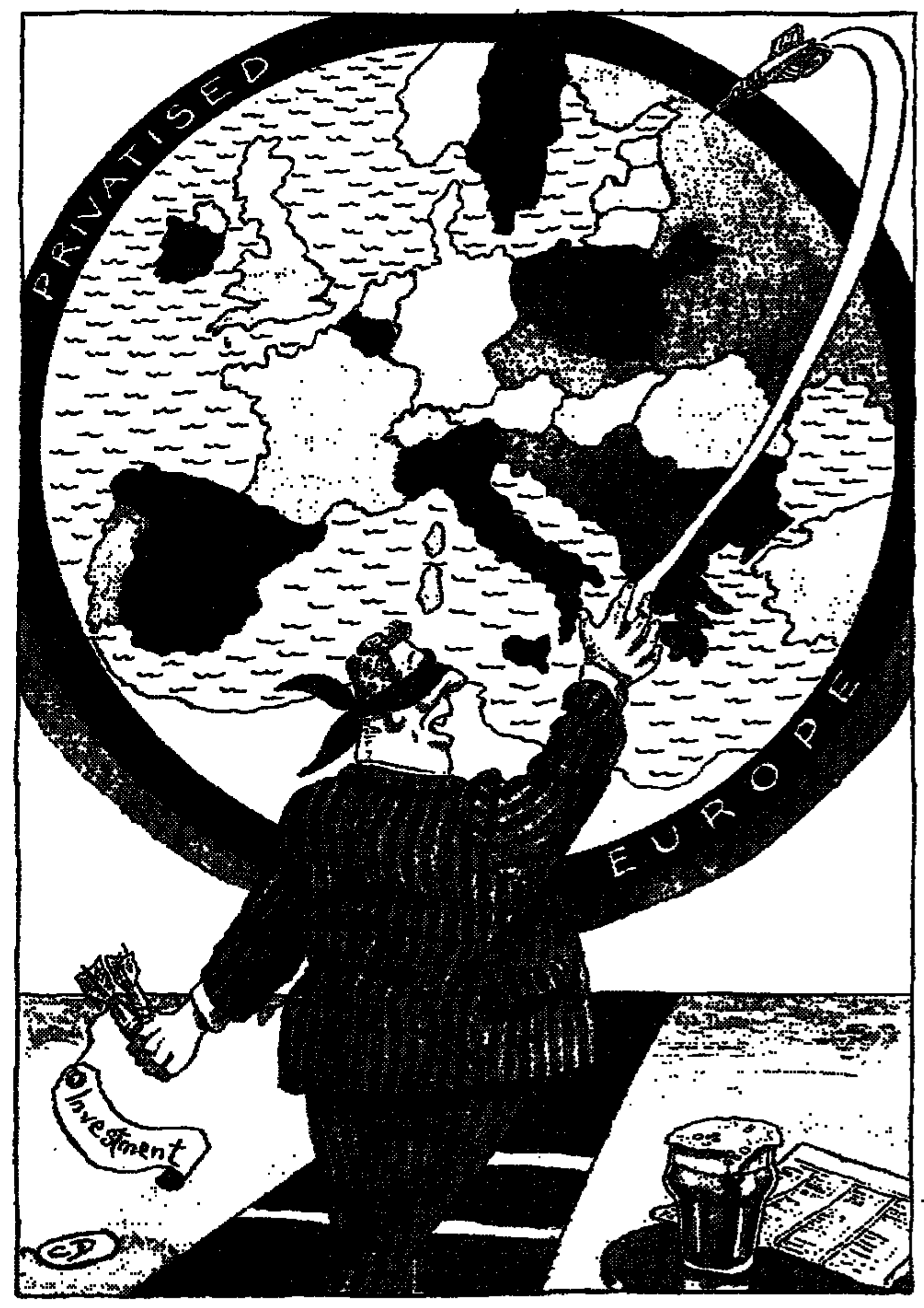
British privatisation stocks were popular partly because investors saw scope for improving productivity gains by cutting labour costs. But high unemployment across much of continental Europe could weaken the resolve of governments to confront organised labour. Last October the French government withdrew a pre-privatisation, cost-cutting plan at loss-making Air France in the face of an industrial dispute that caused chaos.

Some equity strategists are suggesting that job losses of about 10 per cent across the Continent will be needed to match the rationalisations necessary for productivity gains shown by privatised companies in Britain. But some of the assets preparing to float do not have great scope for such gains. This is because they are run along commercial lines already – for example, Elf Aquitaine and the third tranche in Spain's Argentaria bank.

Cable & Wireless, Amersham International, Britoil, ABP, Enterprise Oil, Jaguar, BT, British Gas, BA, Rolls-Royce and BAA.

Forthcoming European privatisation issues

Country	Company	Sector
France	Elf Aquitaine	Energy/Oil
	Credit Local	Banking
	AGF	Insurance
	UAP	Insurance
Italy	IMI	Banking
	BCI	Banking
	INA	Insurance
Spain	Repsol	Energy
	ENDESA	Utilities
	Ence	Forest Prods
	Telefonica	Telecomm



How to do it

EU law says nationals in all member countries must be given an equal opportunity to take stakes in EU privatisation flotations. Implementing this law could be difficult, though, and the transactions are complicated by the currency risk. Then, there are practical difficulties.

The British government marketed its issues vigorously to the private investor. But continental European governments are said to be less willing to help foreign nationals to profit from the sale of their national assets – an attitude that has prompted grumblings about allocations for UK investors. Other difficulties include the likely need for overseas banking facilities and the complex arrangements for the taxation of dividends held across EU borders both for the payor company and the individual recipient.

Then, too, it is difficult to know when the issues will come to the market. There is no central EU information source and individual government authorities can be elusive. Once issues are announced, it can be difficult to uncover information in English about the business and prospects of the corporate assets.

Issues are not always accompanied by retail prospectuses in English, although these have been translated for institutional investors. But many issues are of stock in companies already partly-quoted. The largest produce annual reports in English, available on request. Almost the only other source is the pages of the English-language financial media.

As one seasoned private investor puts it, buying shares directly under these conditions would be like "playing darts blindfold." All but the most tenacious and linguistically-confident private investor should seek professional help.

■ There are two ways into the cross-border new issues market via professionals . . .

1. Buying through a fund

Two new investment trusts aimed at small shareholders interested in the privatisation stocks are being offered. These will deal with such difficulties as foreign currency transactions, overseas banking facilities and withholding tax on dividends.

Kleinwort Benson's European Privatisation investment trust provides the chance (closing on February 2) to buy partly-paid shares, with 50 per cent payable on application and the rest six months later. Annual management charge is 0.75 per cent and minimum investment is £2,000.

Mercury Asset Management's European Privatisation trust will be launched on February 3. Like the Kleinwort issue, it will have warrants attached on a 1-for-5 basis and will qualify for inclusion in a Pep.

Full details of the Mercury offer are not yet available to private investors, but the offer price will be 100p a share and the annual management fee less than 1 per cent. Minimum investment will be £1,000.

"Since most trusts now start trading at a premium, the 'free' warrants are an additional attraction and are likely to enhance the value of the total investment because they are ultimately tradeable," says John Szymanowski, investment trust analyst at S.G. Warburg Securities.

The MAM ordinary shares will be traded as a package with their warrants for the first 43 days of listing, so investors can include the warrants inside a Pep. The Kleinwort warrants are tradeable separately from day one.

2. Buying through a broker

For those who want to stag their stocks, the trusts are not appropriate. For this, you can choose to use your existing broker or one of the brokers which offer specialist European privatisation services.

European Stockbrokers Ltd has launched an execution-only service for UK private investors who want to deal in European shares. The company also is offering private clients a custody service, a choice of nominee or own-name dealings, portfolio valuations, and holding of sterling or foreign currency in an interest-bearing deposit account.

Commission charges for execution-only transactions are 0.5 per cent on deals up to £60,000, with a minimum of £100 and maximum of £250, plus 0.25 per cent on the balance of transactions above £60,000.

There are additional charges for local delivery of overseas shares, and a small charge for the custody service.

Even more specialised is the Johnson Fry Managed French Privatisation Service to private investors in the UK. Johnson Fry is inviting investments of £1,000 and will then apply for shares in every French privatisation issue on behalf of each investor. The shares will be sold as soon as possible so that the proceeds can be re-invested in subsequent issues.

Charges are £60 to cover all applications, with a flat fee of £15 on sales of shares worth less than £500 and £22 on larger amounts. No interest will be paid to investors on the money held.

FINANCE AND THE FAMILY

F&C makes it clear

Personal pension plan is so easy to understand, says ***Debbie Harrison***

Despite the many individual pension products on the market, it is always welcome to see new plans that combine the two features investors seek most: good long-term performance and clear, flexible charges.

Foreign & Colonial* Investment Trust, operated by the oldest and largest company in the field, has extended its popular share-savers scheme to offer the first investment trust pension products.

The F&C personal pension is available to the self-employed and to directors and employees who are not members of a company scheme. The free-standing additional voluntary contribution (FSAVC) plan can be used by employees who are members of company schemes but wish to top up their benefits.

Investment trusts, which are companies quoted on the stock exchange, can borrow to provide gearing, invest in a very wide range of listed and unlisted securities, and hedge any currency risk.

Of the 5m personal pension plans sold, an estimated 97 per cent are life office products, including most of those sold by building societies and banks. But the large sale commissions associated with personal pensions, combined with hefty management charges and punitive early termination penalties, have undermined their potential success.

The track record of the Foreign & Colonial Investment Trust is solid and consistent, offering prospects for long-term growth that rival the best in the insured sector. The charges are so low, and expressed so clearly, that they put to shame the notoriously convoluted life office structure.

The trust has been operating for 125 years and has a broadly-based international portfolio worth £1.7bn, with more than 70,000 shareholders. UK and international equities form the bulk of the portfolio and account for the consistent top quartile performance in the international sector for investment trusts over a 10-year period.

For both the personal pension and FSAVC, there is a £100 set-up fee for any investment size plus a £50 annual administration fee from year two and a plan management fee of 0.5 per cent. The dealing charge on share purchases is 0.2 per cent, with stamp duty of 0.5 per cent. There is no penalty for varying or stopping contributions and no loading for sales commission.

Minimum contributions are £100 a month, £1,000 a year, or £5,000 for lump sums. Personal Pension Management will act as scheme trustee and administrator.

The plan is divided into 10 segments so that individuals can phase their retirement. They are granted full shareholders' rights to vote and attend the annual general meeting of the Foreign & Colonial Investment Trust.

□ Provident Life is launching a product which aims to overcome one of the most inflexible aspects of money purchase pensions such as personal pensions, retirement annuity contracts and executive pensions.

Under a money purchase pension, contributions are invested to build up a fund which, in turn, is used immediately at retirement to buy an annuity. Once this is purchased, it cannot be changed.

Moreover, the level of income provided by the annuity depends on the value of the fund and annuity rates at the time. Unfortunately, these rates, which are determined by underlying interest rates, can fluctuate dramatically.

Provident Life's flexible annuity portfolio is expected to be launched in February. The concept of flexible or managed annuities is still relatively new – Equitable Life launched the first of these in October 1993.

Provident's plan allows the client to retain control over investment of the fund while providing a basic minimum annual income of £7,500 (higher for those who need more). It offers a wide choice of investments. These include managed equity funds run by Schroders, commercial property, fixed interest and deposit funds, authorised unit trusts and investment trusts, and UK and overseas equities.

The initial set-up charge is 1 per cent of the fund value, while the subsequent annual charge is 0.5 per cent. There is no loading for sales commission. Provident Life is unlikely to consider funds under £200,000 for the flexible annuity portfolio.

A note of caution, though: investors approaching retirement who have substantial money purchase pension funds, and who are interested in the control and flexibility offered by this type of product, should seek professional independent advice.

**Foreign & Colonial has set up a pensions helpline for savers on 0722-320 102. It will answer technical questions on eligibility, contribution amounts, tax relief etc. It will not give investment advice.*

The week ahead

BSkyB, a joint venture with (among others) Pearson, owner of the Financial Times, is likely to brighten News International's interim results on Thursday. In December, the satellite company set a monthly record by adding 140,000 new subscribers, bringing the total to about 3.3m.

Terry Povey, of Bell Securities, is predicting an £90m contribution this year to Rupert Murdoch's News Corporation, which owns 82 per cent of News International, and one of £140m in 1995. The price-cutting war in the UK – while boosting sales of *The Sun* and *The Times* – is likely to cost about £43.3m in the 1994 financial year.

□ BAA, the airports' operator, is to report quarterly results for the first time. On Tuesday, it is to release figures for the first nine months of the year to March 30. Analysts are shy of forecasting for the third quarter but anticipate that full-year profits will fall between £312m and £325m. Again, the main engine of growth is expected to be the retailing side although improved productivity and cost-cutting throughout the group will have their impact.

□ Flat earnings' growth is being forecast for Fyffes, the UK and Irish fresh fruit distributor, which is due to reveal results for the year to October 31 on Wednesday. Stockbrokers in Dublin anticipate pre-tax profits of between I£29.5m and I£30.5m, up from I£26.5m in 1992. This would be the equivalent to earnings per share of 5.9p to 6p (5.9p). Softness in banana prices and falling interest rates – the latter affecting income from the company's I£95m cash hoard – are viewed as the main factors holding back growth.

□ Numbers are expected to be of little importance at M.L. Laboratories, which announces its final results on Monday. Of far more interest will be M.L.'s distribution plans for the renal dialysis drug which last year won its UK marketing licence. Investors are also likely to focus on just how much cash there is in the bank at the bio-tech company, which has not made a profit since its float in 1987.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Allied Textile	Text	Sep	13,700	(12,700)	33.2	(30.8)	12.9	(12.8)
Bullough	Eng	Oct	9,180	(6,960)	3.07	(4.57)	8.05	(8.05)
Cardiff Property	Prop	Sep	119	(918 L)	6.5	(-)	2.5	(2.4)
Continental Assets	InTr	Dec†	229.1	(170.5)	3.16	(2.51)	3.0	(2.4)
Derby Trust	InTr	Dec†	494.0	(382.0)	17.95	(16.03)	17.95	(16.00)
Domino Printing	Elec	Oct	9,100	(11,900)	23.07	(30.03)	7.95	(7.2)
GWR	Med	Sep	913	(729)	18.4	(15.9)	9.0	(7.0)
Geared Income Inv Tst	InTr	Dec†	115.15	(76.15)	8.16	(8.11)	8.0	(2.8)
Govett American Smlr	InTr	Dec†	176.59	(137.89)	-	(0.1)	-	(-)
Gresham Telecomputing	Supp	Oct	551	(787)	1.04	(1.94)	0.37	(0.28)
LPA Industries	Elec	Sep	65	(477)	0.44	(3.33)	2.45	(3.52)
Lonrho	Dvln	Sep	172,000	(114,000)	15.1	(8.4)	4.9	(4.9)
M & G Dual Trust	InTr	Dec§	£31.90	(£24.0)	70.34	(69.09)	70.34	(69.1)
Malvern UK Index Tst	InTr	Sept	150.42	(123.37)	3.99	(3.77)	4.0	(3.77)
Partridge	ReGo	Oct	1,770	(1,110)	5.54	(3.88)	2.7	(2.29)
Principality	n/a	Dec	16,700	(17,00)	-	(-)	-	(-)
Selective Assets Tst	InTr	Sept	205.75	(158.95)	3.72	(2.78)	1.45	(1.5)
Shandwick	Med	Oct	4,800	(2,500 L)	6.4	(-)	-	(-)
St Andrews Trust	InTr	Sept	324.5	(249.8)	7.61	(7.48)	7.5	(7.55)
Warner Estate Hldgs	Prop	Sep	7,300	(4,120)	11.0	(-)	11.0	(10.5)
Willoughby's Cons	Extn	Sep	1,640	(1,790)	14.8	(16.2)	1.5	(2.5)
Witan Inv Trust	InTr	Dec†	271.7	(212.8)	6.11	(6.71)	5.8	(5.6)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
British Bloodstock	OtSr	Sep	213 L	(311)	-	(-)
Castors	ReGn	Oct	303	(179)	1.0	(1.0)
Clayhithe	OtFn	Sep	210 L	(1,090 L)	0.75	(0.75)
Decla Business Systems	Elec	Dec	22,100	(11,600)	-	(-)
Davies (DY)	Prop	Oct	116 L	(494 L)	-	(-)
Excalibur	Eng	Oct	1,030	(183 L)	0.25	(0.2)
Farepak	ReFd	Oct	1,530 L	(1,390 L)	1.85	(1.65)
Fleming Emerging Mkts	InTr	Dec†	195.5	(121.5)	-	(-)
Hobson	Dist	Sep	544 L	(5 L)	-	(-)
Ivory & Sime Isis Tst	InTr	Dec†	125.63	(107.53)	6.6	(-)
MFI	ReGn	Nov	44,100	(12,000 L)	1.38	(1.25)
Menzies (John)	ReGn	Oct	6,300	(3,800)	4.1	(3.8)
Mieys	Supp	Nov	8,018	(8,768)	3.0	(2.81)
Mitie Group	Supp	Sep	1,390	(943)	2.0	(1.5)
Murray Smaller Mkts	InTr	Nov†	449.0	(302.6)	1.42	(1.35)
Murray Split Cap Trust	InTr	Nov†	214.9	(215.5)	2.85	(2.85)
Newmark (Louis)	Eng	Oct	638 L	(868 L)	-	(-)
Park Food Group	ReFd	Sep	4,740 L	(3,220 L)	2.5	(2.0)
Photo-Me International	OtSr	Oct	10,541	(10,525)	1.5	(1.4)
Prism	L&H	Oct§§	649	(478)	1.15	(0.9)
Shield Group	Prop	Sep	5	(54)	-	(-)
Smith (WH)	ReGn	Nov	44,700	(40,200)	5.0	(4.5)
Stewart Zigomala	OtFn	Sep	37	(38)	-	(-)
Triton Europe	Oil	Nov	2,780 L	(15)	-	(-)
Unitech	Elec	Nov	7,360	(4,550)	2.24	(2.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. Figures for 28 weeks. § Net asset value per capital share. ‡ At launch last June. Figures for nine months. Figures for 3 months. §§ Figures for 27 weeks.

RIGHTS ISSUES

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Alpha Airports Group is to raise £177.4m via a placing of 113.09m shares at 140p.
Beauford is to raise £4m via a placing of 11.8m shares and an underwritten rights issue of 8.18m shares.
Chiroscience Group is to raise £45 via the flotation of 30m shares.
Goldsborough Healthcare is to raise £80m via a placing and offer of shares.
The Israel Fund is to raise about £100m via a placing and offer.
Market Analysis & Information Database is to raise £25m via a flotation.
McDonnell Information Systems is to raise £150m via an offer for sale.
Partco is to raise £25m via a placing and offer.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Brooke Tools Engineering	Eng	Monday	-	-	-
Caldwell Invs	Text	Tuesday	-	-	0.387
European Assets Trust	Inv	Monday	-	-	-
Flemming American Inv.Tst.	InTr	Tuesday	0.35	0.35	0.85
Fyffes	ReFd	Wednesday	-	-	-
Heavitree Brewery	Brew	Friday	0.6	2.45	0.6
ML Labs	Hlth	Monday	-	-	-
Motor World Group	EngV	Monday	-	-	2.5
INTERIM DIVIDENDS					
Adscene Group	Med	Tuesday	1.8	3.2	-
BAA‡‡	Tran	Tuesday	6.25	9.75	6.75
Barnato Exploration	Eng	Monday	-	-	-
Bimec Inds	Eng	Monday	-	-	-
Birkdale	Med	Monday	-	-	-
Birse	B&C	Friday	-	-	-
Black (Peter)	Text	Friday	0.93	2.77	-
Bucknall Group	Prop	Wednesday	-	-	-
Churchbury Estates	n/a	Monday	-	-	-
Colefax & Fowler	HseG	Tuesday	0.5	0.8	-
Dalgety	FdMa	Monday	7.85	12.85	-
EFM Smaller Companies Trust	InTr	Monday	-	-	-
First Spanish Inv. Trust	InTr	Wednesday	-	7.8	-
Flagstone	Prop	Monday	-	-	-
Free State Dev.& Inv.Corp.	Extn	Tuesday	-	-	-
Haynes Publishing	Med	Monday	3.5	4.5	-
Heritage	Dist	Monday	-	-	-
Huntingdon International★	Phrm	Wednesday	0.875	1.9	-
Johannesburg Cons. Inv. Tst	Extn	Wednesday	-	-	-
Lazard High Income Trust	InTr	Thursday	1.6	-	-
New London	Oil	Monday	-	-	-
News International	Med	Thursday	0.701	0.008	-
Richmond Oil & Gas	Oil	Monday	1.23	-	-
TR City of London Trust	InTr	Wednesday	1.83	-	-
TR Smaller Companies Inv.Tst.	InTr	Monday	1.5	2.3	-
Union Square	Prop	Monday	-	-	-
Wiggins Group	B&C	Monday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ = 3rd Quarter figures. ★ 1st Quarter figures.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
	Prices in pence unless otherwise indicated				
Anglia Television	637	655	484	[illegible]	MAI
Bennett & Fount ‡	2*	4	4	2.10	[illegible]
Central Ind T/V	2800	3065	2159	[illegible]	Carlton Comms.
LWT	698	711	585	[illegible]	Granada

*All cash offer. ††Value of bid based on 30% stake. §For capital shs already held. ‡ Unconditional. **Based on 2.30 pm prices 28/1/94. §§Shares and cash. Value of bid based on remaining [illegible] of shares. Value of bid based on remaining 76% of shares. ‡ Net asset Value.

New issues

Forte spreads wings

Forte is spinning off its airport services division, which will become known as Alpha Airports Group and have a market capitalisation of £211.1m, *writes David Blackwell*. Shares in the company, the turnover of which is roughly divided between in-flight catering and retail outlets at airports, have been priced at 140p. Pro forma earnings per share are 8.75p, giving a multiple of 16.

Half of the 113.09m ordinary shares are being placed firmly by UBS with institutions. A quarter of the total (39.58m) will be subject to a clawback to meet retail demand through intermediaries. Forte is retaining the remaining 25 per cent. The total value of the flotation to Forte, including Alpha's assumption of total debts of £30m, is £241m.

The price seems to be pitched about right for both Forte and potential investors. The flight catering side should benefit from growth in international air travel, which should also provide the less profitable retail side with more customers. Alpha is expecting profits to rise 19 per cent to £20.6m on turnover of £423.1m for the year ending January 31. The City is looking for growth of around 13 per cent in the coming year, giving earnings of 10p.

□ The many bio-technology companies coming to the market is about to be weighed down with another arrival – Chiroscience, the developer of single isomer drugs, *writes Tim Burt*. Single isomers differ from most organic drugs because they act faster and with fewer side-effects than existing twin isomer products.

At first glance, such companies are not enticing. Profits are unlikely for some years and their research could prove fruitless if regulatory approval is withheld. But if the drugs fulfil their promise, the rewards are rich.

Chiroscience claims it can reduce the risk while holding out the prospect of a major breakthrough by 1998. It has offset recent losses through sales of single isomer compounds, or synthons, which earned £1.34m in the six months to August 31.

Nevertheless, development of its own single isomer products requires major investment – hence the float. The offer and placing by Robert Fleming is expected to raise £36m, primarily to develop the single isomer business. But analysts are not sure the potential breakthrough warrants a price of 150p. Applications close on Thursday.

FINANCE AND THE FAMILY

A bodyguard against sharks

*The world of "independent" financial advice is dominated by those who get commissions from companies which have their products recommended. But this potential conflict of interest – between serving a client's needs and earning a living – is avoided by a few fee-based advisers who charge clients for the work done on their behalf. In this article, the first of a series, **Joanna Slaughter** talks with one such adviser about how he conducts his business*

Norton Partners hardly fits the popular image of an independent financial adviser (IFA). The firm has its roots in the accountancy profession and its small staff works from a converted 16th century granary in the village of Tickenham, near Bristol.

Although its nominal business is chartered accountancy, Norton Partners specialises exclusively in personal tax and personal financial management work. It is the kind of firm that is well-established in the US but comparatively rare in Britain.

David Norton, the senior partner, explains: "I tell people that we are chartered accountants who don't do any chartered accountancy. I think everyone has to specialise these days and I wanted to specialise in financial planning.

"When I got rid of all the accounting and auditing in 1989, I think everyone thought I was mad. We were left with half a practice of existing tax clients and half a practice that was just a blank piece of paper."

Norton is chairman of the Institute of Financial Planning, a body that claims to set the toughest professional financial planning examinations in the country. While the Institute welcomes both commission-based and fee-based IFAs as members, Norton argues : "The real professional will tend to become fee-based over time.

"We are trying to create an entire profession where only an industry has existed in the past. The words financial planning have been hijacked in the most awful way. If you say you are a financial planner, people think you've come to flog them life assurance. But one of the key issues about financial planning is that it is a continuing service; a relationship for life.

"Our whole strategy is to look at clients as if they were a business. We try to increase their income, save tax and protect them from disaster."

Norton will not be specific about the size of funds the firm has under management – "do you count a client's business expansion scheme holding, where another party controls the investment?" he asks, with some pertinence – but adds: "You are talking millions."

He describes his 250 clients as individuals of high net worth. Most are London-based and made their way to Tickenham as a result of personal recommendation.

Typically, clients pay a time-based annual fee of around £3,000 for the services of Norton Partners, but the fee clock does not start ticking until after the first meeting. This usually lasts 60 to 90 minutes.

"At this meeting, we establish what their position is; what they are looking for; whether they like us; and whether we like them," says Norton.

He will not take on a client whose affairs are not sufficiently detailed to warrant the fees. Nor will he accept somebody if he feels that they and the firm will not get on.

After the initial interview, clients are sent a 37-page questionnaire. This is so detailed that even the respondents' health, habits and hobbies are logged, together with their partner's mobile telephone number.

The information is processed on a computer. Then a draft plan is produced and dissected at a comprehensive meeting, which Norton likes clients to attend with their partners.

He points out: "We are not really just talking about money. We are talking about how they can achieve the things they want in life. Our key role is to be with the client, acting as a bodyguard against the sharks."

There could be 20 items on the agenda and discussion covers areas such as income and spending; provision for disability cover; school fee planning; pension planning; underwriting membership of Lloyd's; investment, life assurance and estate planning; and risk management.

Norton describes most clients as "sophisticated" but they can be as prone to fall into financial bear-traps as anyone. He once had consecutive meetings with six solicitors and none had made a will.

Norton Partners' approach to financial planning is deliberately holistic, and it is usual for clients to be seen three times a year. Obviously, not all clients need all the services the firm offers; investment management is a stand-alone requirement for a number of them.

Norton describes the firm's investment style as "pretty risk-averse." All clients have some money in cash, some in lower-risk assets such as gilts or international bonds or zero preference shares, some in index-linked securities and some in equities.

Portfolios change as little as possible. "Our basic position is that every time you change things, it costs money," says Norton. "I always make it clear that we are looking at a five-year term."

One portfolio, taken at random, had £14,000 in cash in a building society; £6,000 in a Tessa; £15,000 in overseas bond unit trusts; £15,000 in index-linked gilts; £18,000 in overseas equity unit trusts and £12,000 in Peps.

The fee for the firm's initial investment advice will be around 1 per cent of the value of the portfolio and the typical annual management fee is 0.9 per cent. The firm always rebates any commission in full to clients.

Like every investment manager, Norton has had his successes and his disappointments. He believes his clients were put into emerging markets at just the right time but is less happy about the behaviour of the Skandia Swift fund. This is basically a cash vehicle, investing in Japanese derivatives, but has not performed.

The sour legacy of investment scandals means that no prospective client of an IFA can afford to flinch from blunt questions about competence and security. Norton, who qualified as a chartered accountant with Coopers & Lybrand, says he welcomes interrogation.

He gestures to walls which bristle with certificates and says: "Among our five professional staff we have 12 professional qualifications and my colleague, Lin Ashurst, is one of the most highly qualified female financial planners in the City. We don't handle client money at all and everything is registered in the client's name."

See Serious Money, page II

The Independents REAL


David Norton

Name	Norton Partners
Address and head office	The Granary, Tickenham Court, Tickenham, Bristol, BS21 6SX
Date firm was established	1980
Regulator	Institute of Chartered Accountants
Funds under management	No figure given
Number of clients	250
Number of offices	1
Minimum investment accepted	As a broad guideline, £80,000 (investment services); a salary of £50,000 (financial planning services).
Services offered	Personal financial planning; investment advice; taxation counsel.
Fees	£32 to £148 an hour (personal financial planning services); £62 to £96 an hour (tax advice).

Why you can't lose

The National Association of Pension Funds has issued a pamphlet* aimed at people who believe that, because they do not plan to remain with one employer all their lives, there is no point in joining an occupational scheme since benefits will be lost with each move, *writes Norma Cohen.*

The pamphlet points out, however, that frozen pension contributions will continue to rise in line with prices, up to a ceiling of 5 per cent, and that even those who have left a scheme can qualify for some additional benefits for their dependents.

The advice comes as government regulators are preparing to review the files of nearly 500,000 people who may have been persuaded improperly to transfer their frozen pension assets to a personal pension scheme that makes them worse off in retirement.

The NAPF is the industry's trade body and its chairman, Ron Amy, says: "Even if you do not plan to spend many years in a job, it is still normally worth joining the pension scheme because you will continue to enjoy the benefits even after you have left it."

"Leaving Your Job and Keeping Your Pension." Available free by sending a stamped, self-addressed 9in x 4in envelope to Department CL5, NAPF, 12-18 Grosvenor Gardens, London SW1W ODH.

FINANCE AND THE FAMILY

Pep price war gets hotter

Scheherazade Daneshkhu finds unit trust companies are competing ever more keenly

Label a product "tax-free" and it is bound to catch the attention of investors. Personal equity plans, which allow investors to save up to £9,000 a year – £6,000 in a general Pep and £3,000 in a single company Pep – free of income and capital gains tax, have proved especially popular for this reason.

The unit trust industry has been riding high on that popularity. Last year, more than 60 per cent of those who invested in a unit trust did so through a Pep. So, it is not surprising that unit trust companies are competing keenly for investors' Pep money, either by reducing charges or by structuring new plans which, they hope, will catch the imagination of the public.

Murray Johnstone started the Pep price war in February 1992 when it reduced the initial charge on all its unit trusts to 1 per cent instead of the industry norm of 5-6 per cent, and to 1.5 per cent on its unit trust Peps. Since last October, the initial charge for Peps has dropped to 1 per cent.

This week, Murray Johnstone said it would be waiving the 1 per cent charge on its five fully-qualifying unit trust Peps until the end of the tax year on April 5. Since the company does not impose exit charges, investors will have to pay only the 1.5 per cent annual management fee, although they will still be subject to the bid/offer spread – the difference in price between buying and selling the unit trust.

The beneficial effects of low charges have their greatest impact when the fund also delivers good performance, and Murray Johnstone still leaves something to be desired in this regard. In the 10, five and three years to January 1, the four Murray funds (the Acumen does not yet have a five-year record) have appeared most often in the third quartile (25 per cent).

The table shows those unit trust Peps which have low charges as company policy rather than because of a limited special offer.

Scottish Equitable is the only one to impose a flat fee of £45 plus VAT, instead of an initial charge. The fee is being waived until April 29. Its annual management charge, however, is higher than those imposed by the others listed.

In the long run, a high annual charge can be more detrimental to an investor's returns, while a good fund manager can compensate for the initial charge through performance over a number of years. But the company points out that it gives investors a 1 per cent loyalty bonus on the value held in their Pep on its eighth anniversary.

With the exception of Murray Johnstone, the companies listed all impose withdrawal fees. A Pep investor into M&G's Managed Income fund – the only one of M&G's unit trusts where the initial charge has been eliminated – would pay 4 per cent on the value of his investment if he sold it in the second year.

Gartmore is the only one of those listed to levy an exit charge on the initial investment so that any growth is left unscathed by the fee.

Withdrawal charges, common in the US, were introduced on a UK Pep by Fidelity in June 1992. This week, Fidelity launched two new Peps and has packaged them to appeal to specific groups.

It is hoping to attract first-time investors into Moneybuilder, the company's existing fund of funds unit trust, by making it Pepable. There seems no particular reason why this fund should be more suitable for the first-time investor than, say, one of Fidelity's UK growth unit trusts.

But Mary Blair, director of product development, says the main reason is that, as a fund of funds trust, Moneybuilder is invested in a basket of the company's funds, giving exposure to global as well as UK and European markets.

The fund is third of 13 listed in the five years to the beginning of January, with growth of 83 per cent (according to Micropal). As a special offer, the 2 per cent initial charge on the Pep will be halved until March 11.

At the other end of the market, Fidelity is hoping to attract those planning to retire within 10-15 years with a new unit trust and Pep. The UK Dividend Growth fund is due to be launched in just over a fortnight and Blair says: "It will invest in UK companies with the ability to grow dividends in the future or in companies which might have cut the dividend for prudent reasons, but which we believe will have good scope for dividend growth."

About 60 per cent will be invested in FT-SE 100 stocks and Fidelity is looking for dividend growth of between 8-10 per cent a year. Thus, this is not a fund for income-seekers as the initial yield will only be 2 per cent and the aim is to re-invest the income. The idea is that a large lump sum will be produced which can be taken tax-free (within the Pep) when the investor does retire.

Initial charge on Retirement Income Builder (the name of the Pep attached to the fund) is 2 per cent and, in line with all Fidelity Peps, the exit charges also apply. Minimum investment in both new Peps is £1,000, or £50 regular monthly savings.

UNIT TRUST PEPS WITH REDUCED CHARGES

Company	No of Funds	Initial charge	Annual fee	Exit charge
Fidelity	12	2%	Between 1-1.5%	3% 1 yr 2% 2 yr 1% 3 yr
Gartmore	5	2%	1.5%	3% 1 yr* 2% 2 yr* 1% 3 yr*
Guinness Flight	6	2%	1.5% and 1.25%	3% 1 yr 2% 2 yr 1% 3 yr
M&G	1	0	1.5%	4.5% 1 yr 4.0% 2 yr 3.0% 3 yr 2.0% 4 yr 1.0% 5 yr
Murray Johnstone	5	0**	1.5%	0
Scottish Equitable	7	0#	1.875%	4.0% 1 yr 4.0% 2 yr 3.5% 3 yr 2.5% 4 yr 1.5% 5 yr

*based on initial investment and not on value of units on encashment. **initial charge of 1 per cent is waived until April 5 1994. #initial flat fee of £45 waived until April 29 1994.*

News in brief

Halifax building society is making its fixed and capped rate mortgages portable from Tuesday. But existing customers may have to pay a transfer fee of £75 when they move their mortgage to a new home.

Halifax's fixed rates include 6.2 per cent (6.6 APR) until April 30 1996; 6.7 per cent (7.1 APR) to the end of April 1997; 7.2 per cent (7.7 APR) to April 30 1999; and 7.99 per cent (8.6 APR) until April 30 2004. Application fees are between £150-250 and there are early redemption penalties.

■ *Cheltenham & Gloucester* has issued a new rate of 5.5 per cent (5.7 APR) fixed for two years for a £250 application fee. The early redemption penalty is four months' interest; the mortgage is portable. C&G's five-year fixed rate at 6.99 per cent is still available.

The society has introduced a discount of 3 percentage points on its standard variable rate of 7.64 per cent in the first year of the mortgage to those with a deposit of 20 per cent. This brings down the variable rate to 4.64 per cent (7.7 APR). Applicants with a smaller deposit of 5 per cent or more are still being offered a discount of 2 percentage points on the standard rate for the first year.

■ The Woolwich has replaced its 7.75 per cent seven-year fix with one of 7.5 per cent (8.1 APR if the mortgage is repayment, or 7.9 APR if an endowment). The application fee is £295 and there is an early redemption penalty of six months' interest.

■ Chelsea building society has issued two new fixed rates. The first is 5.99 per cent (6.4 APR) fixed until June 30 1997 for loans of up to 90 per cent of the value of the property. The second is a 6.99 per cent (7.6 APR) until June 30 1999. The administration fee is £245 and the borrower must take out the society's buildings and contents insurance for the whole of the fixed-rate period. The mortgages are portable.

■ While there are plenty of fixed rates on the market, capped rates are harder to find. These fix a ceiling on the interest rate and allow the borrower to benefit from lower rates if interest rates fall below the ceiling.

Yorkshire building society has a number of capped rates. These are 6.10 per cent until the beginning of January 1996; 6.55 per cent until January 1 1997; and 6.95 per cent capped until January 1 1998. The arrangement fee is £250 and early redemption penalties are between three to four months' loss of interest.

The society's buildings and contents insurance has to be taken out for the first year. The maximum loan is £150,000 and the capped rates are all portable.

■ Lloyds Bank Stockbrokers is launching a telephone share-dealing service with a free advisory service. Sharedeal Direct will offer instant dealing facilities from 8am to 5pm on business days.

Commission on UK equity transactions will be 1.5 per cent, with a minimum of £18.50. The service is open to the public and calls to Sharedeal Direct will be charged at local rates.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.60%B	Yly
Skipton BS	2 High Street	Local Branch	Instant	£2,000	6.50%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	6.70%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	7.10%B	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.85%	Yly
B & W Asset	Asset 90 Day	0800 303330	90 Day	£25,000	7.30%	Yly
Norwich & Peterborough BS	Trident	0733 391497	14.7.94	£30,000	7.50%F	OM
Newcastle BS	Nova Select	091 261 6622	29.2.96	£5,000	7.50%A	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.60%B	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.65%	Mly
				£25,000	6.90%	Mly
Newcastle BS	Nova Select	091 261 6622	29.2.96	£5,000	7.20%A	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	7.75%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
Progressive BS		0232 244926	5 Year	£1	7.50%	Yly
Julian Hodge Bank Ltd		0222 220800	5 Year	£20	7.50%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.00%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£10,000	6.25%	Yly
				£25,000	6.60%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank (J'rsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
				£25,000	6.80%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.30%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	4.78%	Yly
Financial Assurance FN		081 367 6000	3 Year	£50,000	5.20%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Eurolife FN		071 454 0105	5 Year	£3,000	5.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%I	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00% +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Rate guaranteed not to drop below 6%. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. G = 5.75 per cent on balances of £500 and over; 6.00 per cent on £25,000 plus. H = 6.75 per cent for balances of £25,000 and over. I = 6.40 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

Expatriates / **Debbie Harrison**

Double tax: the pension trap

Britain's long winter makes the idea of retiring in the sun ever more appealing. Where to go is one major decision. But the most important task is to arrange for all your pensions to be paid abroad without double taxation penalties.

Expert advice on pension and inheritance tax planning is essential, but there are several important steps you can take in advance to reduce administrative headaches – as well as your adviser's fees.

Essentially, there are three main sources of pension: state schemes, company schemes, and private individual plans.

■ State pensions*

The UK state pension, which builds up through payment of national insurance contributions, has two elements – a basic, flat-rate benefit and an earnings-related supplement known as Serps (state earnings-related pension scheme). The pension is paid at 65 for men and between 60 and 65 for women, depending on when they retire.

The Department of Social Security (DSS) says state pensions and benefits for widows can be claimed from anywhere in the world. But annual cost-of-living increases are paid only if the pensioner lives in a European Union country or one with which Britain has a social security agreement which provides for uprating (see table). These do not include Australia, Canada or New Zealand.

For people retiring to these, or to any country not mentioned in the table, state pensions are frozen either when they leave the UK or, for those already abroad when they reach state retirement age, at the time of the first payment.

Clearly, loss of the cost-of-living increases will erode the value of the pension rapidly over a long retirement and extra income from other sources will be needed to compensate.

If, however, you return to live in the UK, your state pension will be paid at the full current rate. Expatriates on a temporary visit home can also claim the full rate, but only for the period spent in Britain.

■ Company and private pensions

Company and private individual pensions also can be paid abroad. If you want to check the value of your pension, contact either the manager of the company scheme or the life office, in the case of a personal pension or similar contract.

Most scheme benefit statements will assume, however, that retirement is within the UK. Robin Arnold, international partner with actuary Bacon & Woodrow, says: "It is essential to check how your UK pension benefits will be treated for tax purposes in your country of retirement. For example, North America does not recognise the concept of the tax-free cash lump sum we have in the UK and will tax it along with the pension."

Many people change jobs several times before reaching retirement, so it will be necessary to contact previous employers to check the value of deferred pensions. Where a company has been taken over or collapsed, and it is difficult to locate trustees, the Pensions Register** will trace your benefits free of charge.

■ Foreign pensions

If your career included overseas employment, with foreign state and company pension entitlements, the tracing problems could be much more complicated. Alastair McLean, principal with actuary Towers Perrin, says: "As a general rule, whether it is state or company pensions, outside the UK the onus is on the employee to keep track of benefit rights and to make the claims. There is no central source for information about foreign state pensions – you will have to contact each authority."

Bear in mind also that state and private pensions derived from any source outside your retirement home (including the UK) will be subject to currency fluctuations which, in turn, will affect your income.

■ Dealing with the tax man

When you have checked your sources of pension, you should examine how the money will be taxed. Expert advice is essential and, clearly, the adviser must know all about the relevant rules in the country of retirement.

Obviously, the aim is to pay tax on pensions and investment income just once – usually in your country of retirement. Where the country you choose has a double taxation agreement with the UK (there are more than 80), the Inland Revenue will allow pensions to be paid gross. First, though, you will need a declaration from the foreign tax authorities that they are taxing you on your world-wide income.

This declaration should be sent immediately to your UK tax office, since any delays will result in your pensions being taxed twice – once in the UK, at the basic rate of income tax (now 25 per cent), and again in your country of retirement.

If, however, there is a delay in sending the form, the Revenue says the withholding tax can be reclaimed when it gets the declaration from the foreign authority.

Do not make the mistake of thinking that, if you move to a no-tax environment such as the Caymans or Bermuda, your pension will be tax-free. As Arnold warns: "If the Revenue does not receive the statement from the local tax authority that you are being taxed on your world-wide income, it will withhold tax in Britain."

**To get an idea of what your future state pension will be, ask your local DSS for the pension forecast form BR19.*

***Contact the Occupational Pensions Board, Pension Schemes Registry, P.O. Box 1NN, Newcastle-upon-Tyne, NE99 1NN. Tel. 091-225 6393/6394.*

Countries with which the UK has social security agreements

Australia (1)	Gibraltar	Netherlands
Austria	Guernsey	New Zealand (1)
Barbados	Iceland	Norway
Belgium	Ireland	Philippines
Bermuda	Isle of Man	Portugal
Bosnia-Hercegovina(2)	Israel	Slovenia (2)
Canada(1)	Italy	Spain
Croatia(2)	Jamaica	Sweden
Cyprus	Jersey	Switzerland
Denmark	Luxembourg	Turkey
Finland	Macedonia (2)	USA
France	Malta	Yugoslavia (Serbia and Montenegro)
Germany	Mauritius	

Notes: (1) No uprating agreement – pensions will be frozen if paid to these and any other country not included in the table.
(2) The independent states of Bosnia-Herzegovina, Croatia, Macedonia and Slovenia have been recognised by the UK and all have confirmed to the UK government that they will honour the terms of all the treaties between the former Federal Republic of Yugoslavia and the UK including the social security agreement.

International bonds

Investors in international bond funds have enjoyed high returns, *writes Scheherazade Daneshkhu*. As the table shows, the average fund returned 57 per cent over the three years to January 1 (offer-to-bid with net income re-invested).

This strong performance has resulted from a particularly favourable combination of factors. The devaluation of sterling after it left the exchange rate mechanism in September 1992 was the main cause but substantial falls in inflation and in short-term interest rates also have helped.

Investors cannot necessarily expect the same degree of performance in the future, though, as the same combination of factors might not recur. But Jeremy Cunningham, manager of the Invesco International Bond fund, believes there is more growth to come because European interest rates will fall "quite considerably" this year. Some 80 per cent of this fund is placed in European fixed-interest investments.

At the top of the table, the Norwich International Bond trust returned 72.5 per cent over the period to its investors and has an above-average yield of 5.1 per cent. But performance has slipped in the year to January 1 with the fund's ranking falling to 20 of 27, according to Micropal.

Brian Dowler, a fund manager at NU Investment Management, says 1991 was a very good year for the fund but believes it could have been underweight in Japanese bonds at certain periods last year, so missing out on the significant appreciation of the yen in 1993.

Charges on the Norwich fund are 6 per cent initial and 1.25 per cent annual. The Invesco fund has an 1.05 per cent initial charge and an annual fee of 0.5 per cent.

The highest performing 10 international bond funds

Fund	Size (£m)	Yield (%)	Perf*
Norwich Intl Bond	33.6	5.1	72.5
Invesco Intl Bond	3.9	5.2	68.8
CU PPT Global Bond	7.5	5.7	67.8
Britannia Life Gl Bnd	8.6	4.9	62.9
MGM Intl Bond	4.5	4.8	62.1
S&P Intl Bond	32.1	5.0	61.8
Gartmore Global Bond	25.3	4.6	61.7
Sun Alliance Wrld Bd	8.6	5.1	61.1
Fidelity Intl Bond	34.8	4.8	60.8
James Capel Gl Bond	8.1	5.4	57.4
Sector average	17.2	4.9	57.1

*Source: Micropal. *Offer-to-bid with net income reinvested over three years to January 1 1994. Funds without 3 year record are excluded.*

FINANCE AND THE FAMILY

So you can't work...

***Bethan Hutton** reports on the benefits of permanent health insurance*

Parliament this week gave a second reading to a bill which could mean 200,000 people stop being eligible for invalidity benefits after April 1995 and new claimants get considerably less than they would now.

The number of people claiming invalidity benefit has soared, so the government is trying to curb costs. The bill going through parliament replaces statutory sick pay and invalidity benefit with a single Incapacity Benefit, which increases depending on the length of time a person is out of action. The key change is not in timing or levels of benefit, however, but the definition of incapacity to work.

The usual interpretation of present regulations is that claimants must be incapable of doing their normal jobs or any "reasonable" job – one for which their experience or qualifications are suited. A skilled manual worker unable to do his own job might be capable physically of light office work. Under present rules, he would get benefit if he was not qualified to do this.

In future, this definition will be replaced after 28 weeks with one based on an objective medical test of physical and mental capacity for any kind of work at all, so excluding many present claimants.

The National Association of Citizens Advice Bureaux reports that the stricter criteria are being applied in some areas already. "Bureaux all over the country report an alarming increase in benefit withdrawals, demonstrating that a narrower definition of incapacity is already being used," it says. "Many CAB clients are told that they should seek work completely unrelated to their skills, disability or previous experience."

The association says people have been told to find jobs as artists' models, embalmers or bingo callers.

People found ineligible for invalidity benefit may then claim unemployment benefit or income support. But the latter is means-tested and no one with assets over £8,000 is eligible. So, anyone with savings over this level has to use them up before qualifying.

Insurance companies and friendly societies have for many years offered a private sector version of sick pay, usually known as permanent health insurance. A monthly premium buys cover for up to 75 per cent of your salary if you cannot work through ill-health. But Martin Werth of Munich Re, a reinsurance company, says that only 10 to 12 per cent of the UK population has PHI cover.

Insurers have, like the government, been faced with unsustainable claim rates and some have responded by tightening definitions as well.

They tend to use two definitions of incapacity. The traditional, more generous version is the "own occupation" definition, paying out if you cannot perform your usual job.

The other is inability to carry on your own occupation or any occupation to which you are suited by education and experience.

Some insurers switch to this wider definition after two years of a claim. Others use it from the start, particularly for certain occupations such as airline pilots where a very minor health problem can mean the permanent end of a flying career.

People have been told to find jobs as artists' models and embalmers

No insurer at present requires claimants to be incapable of any work whatsoever, the direction in which the government is moving. The insurance ombudsman stamped this out by interpreting "any job" as meaning "any reasonable job," thereby excluding unsuitable work.

The private sector sees it as inevitable that the changes in the state system will increase demand for PHI. But Werth says the implications will take a while to sink in.

"The present level of state benefits is very low and would give a standard of living equal only to an unskilled worker, living on a council estate, with no car and no margin for luxuries," he says. After April 1996, when the earnings-related element (now worth a maximum of about £59 a week) is eliminated, the safety net will provide an even more spartan life style.

"Not much will happen before April 1995, and then the horror stories will start coming through," Werth predicts. He thinks 20 or 25 per cent of the population could have PHI cover by the year 2000.

Unfortunately, PHI is expensive. Premiums depend on your age, sex, health, occupation, salary, and the length of time you are prepared to wait after falling ill before payments begin. Premiums to buy cover of about £2,000 a month for a white-collar worker can cost more than £50 a month.

Bob Farrington, chief executive of the Ideal Benefit Society, a friendly society, says contracts will have to become cheaper and more flexible. Friendly society sick pay is usually based on the "Holloway contract," which starts paying immediately and also has a savings element to provide a small pension. Ideal Benefit has adapted this to offer waiting periods of seven days to two years.

Werth thinks there could be a market for a low-cost PHI product which uses medical/functional rather than occupational definitions. Although the definition of incapacity would then be as strict as the state, levels of benefit could be higher.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Astec (BSR)	EE&E	2,314,936	1,979	1
Blenheim Group	Mdia	65,000	247	2*
Body Shop Intl	RetG	14,600	12	1
Border Television	Mdia	11,000	17	2
Caledonia Inv	OthF	12,500	86	1
Cementone	Chem	834,253	768	1
Christie Group	OthF	50,000	32	1
CML Microsystems	EE&E	150,000	405	3*
Folkes Group	Prop	70,000	29	1
Grand Metropolitan	SW&C	80,000	400	1
Hepworth	BM&M	123,509	646	1*
H'land Distilleries	SW&C	50,000	210	1*
London & Clydeside	BCon	127,000	184	1
Lowndes Lambert	Insu	4,000	18	1
Lucas Industries	EngV	256,021	525	1*
Menvier - Swain	EE&E	10,000	25	1
Millwall Holdings	L&H	1,000,000	40	1
Newman Tonks	BM&M	102,600	192	1*
Perpetual	OthF	300,000	3,240	1
Pilkington	BM&M	223,917	338	2*
Reg Vardy	Dist	700,000	1,439	1
Sainsbury (J)	RetF	2,500	10	1
Seeboard	Elec	3,370	65	2
Smith (DS)	PP&P	41,468	192	1*
Spirax - Sarco	Eng	42,156	184	3*
St Ives	PP&P	105,000	391	1*
Staveley Industries	Dvrl	25,715	65	1*
Stirling Group	Text	65,000	39	1
Tinsley Rober	PP&P	50,000	10	1
Treatt	FdMa	54,350	109	1
Watts Blake Bearne	Exln	5,000	23	1
PURCHASES				
Blenheim Group	Med	34,075	31	1
Bowater	PP&P	2,000	10	1
Broadgate Inv Tst	InvT	12,500	17	1
Carclo Engineering	Eng	10,000	28	1
Etonbrook Prop	Prop	310,000	264	1
Hopkinsons Hldgs	Eng	25,000	12	1
Kewill Systems	SSer	10,000	24	1
Mercury Asset Mngmt	OthF	6,000	45	1
Midlands Elect	Elec	2,000	14	1
Osprey Communicatns	Mdia	50,000	25	1
PremierConsolidated	OilE	50,000	11	1
Premium Trust	Insu	35,000	34	1
Protean	Eng	32,103	58	5
Scottish Eastern	InvT	50,000	46	1
Scot Mortgage Tst	InvT	18,000	45	1
Value & Income Tst	InvT	9,621	12	1
Watson & Philip	RetF	3,000	11	1
Watts Blake Bearne	Exln	5,000	23	1
WEW Group	RetG	93,000	57	4

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 17 - 21 January 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

Caution reigns

As the market climbed to new heights, directors remained on the sidelines, particularly at the beginning of the week. Activity was marked by a number of deals in companies with large market *capitalisations*.

☐ Sir Allen Sheppard, chairman of Grand Metropolitan, sold 80,000 ordinary shares. There have been several option-related transactions recently but this was the first deal in ordinaries. The sales accounted for a quarter of Sir Allen's holding.

☐ Osprey Communications was noted earlier this year when Ronald Sidaway bought 125,000 shares at 41p. He has continued to buy at prices as high as 49p; the shares are trading now at about 53p.

☐ ASTEC (BSR), now based in Hong Kong, is involved in *designing and making power* conversion products and other *electronic equipment*. Technical director Neal Stewart sold his *entire* holding at 85.5p, although he retains some incentive shares.

☐ Correction: Last week, we reported a sale of 35,000 shares by three directors of Blacks Leisure. In fact, there was a purchase of 40,500, giving a total value of £14,985 transacted by four directors.

Colin Rogers,
the Inside Track

All go on the Eastern front

Investors wanting to put money into the Far East are almost spoilt for choice at the moment. In addition to the Edinburgh New Tiger and Martin Currie Asian Opportunities fund launches mentioned last week, the Fleming Japanese investment trust is issuing conversion shares and Henry Cooke is launching an Asian unit trust.

Fleming is hoping to raise at least £20m with an issue of conversion shares in its Japanese trust, which has assets of about £250m. Shares in the trust are trading at a premium of about 4 per cent to net asset value – investors pay 4 per cent more for shares than the assets attributable to each share are worth – which indicates a high level of demand. The fund is the best performer of five in its sector over three years to January 1, but fourth out of six over one year (source: Micropal).

Richard Boyton, an independent financial adviser, says the Fleming C-share issue could be the cheapest way into Japan at the moment. Rather than buying ordinary shares at a premium, buyers of the C-shares will pay only the asset value of the shares plus the administrative costs of the new issue, which will be 2 per cent or less. Investors will also get one free warrant for every five shares issued; the warrants were trading at 117p this week.

Money raised from the C-share issue is kept separate from the main fund until it is at least 90 per cent invested, when the C-shares will be converted into ordinary shares.

"The Fleming Japanese investment trust is the largest investment trust specialising in Japan with an impeccable track record. Investors should not miss the opportunity of being able to buy into this fund at a cost of some 2 per cent," Boyton says.

Japanese shares have slumped since their peak in 1989 – the Nikkei index is now at less than half its peak value. A slight recovery last year was wiped out by recent political uncertainty over the coalition government and its reform programme, but some fund managers see the Tokyo market's depressed state as a good buying opportunity for those who take a positive long-term view of Japan's prospects.

The Fleming public offer opens on Tuesday and closes on February 23. Minimum investment is £1,500 for existing investors in the fund and £2,500 for new investors. Annual fee is 0.5 per cent.

Investors keen on the Far East but preferring to avoid Japan may be interested in the Henry Cooke Eastern Enterprise fund, the first non-European unit trust from this Manchester-based group. The fund is to be managed by Lloyd George Management in Hong Kong, which is responsible already for a range of offshore south-east Asian trusts.

It will be invested for long-term capital growth throughout south-east Asia and India, with the largest amounts initially in Hong Kong (including indirect exposure to China), South Korea, Singapore and Thailand. Minimum investment is £500, with a 1 per cent discount on the usual initial charge of 6 per cent between January 31 and February 11. Annual charge is 1.5 per cent.

Save & Prosper is the latest group to come out with a global emerging markets trust. Its Emerging Markets fund will invest mostly in Asia and Latin America, with 47 per cent and 39 per cent of the initial portfolio respectively, but there will also be about 13 per cent in European emerging markets such as Turkey, the Czech Republic and Greece, and a tiny proportion in the Middle East. The trust, aiming for long-term capital growth, will be managed by Fleming Investment Management.

Minimum investment is £1,000, or £35 a month in a regular savings scheme. Charges will be 5.5 per cent initially and 1.5 per cent annually; but between February 5 and 25, there will be discounts on the initial charge of 1 per cent on investments of £1,000-£2,999, and 2 per cent on £3,000 or more.

Bethan Hutton

FINANCE AND THE FAMILY

Where privilege still counts

***David Cohen** examines a tax-saving loan intended to benefit budding entrepreneurs*

While mortgage interest relief dies a long and lingering death, there is another type of loan which retains its privileged tax status.

In line with the government's aim of encouraging budding entrepreneurs, loans taken out to acquire shares in privately-owned companies qualify for full tax relief, with no upper limit. But failure to comply with a plethora of conditions will forfeit this attractive tax-saving opportunity.

The most straightforward requirement is that the shares bought with the borrowed funds must be "ordinary" shares; this rules out preference shares which receive the same fixed-rate dividend, irrespective of how the company performs.

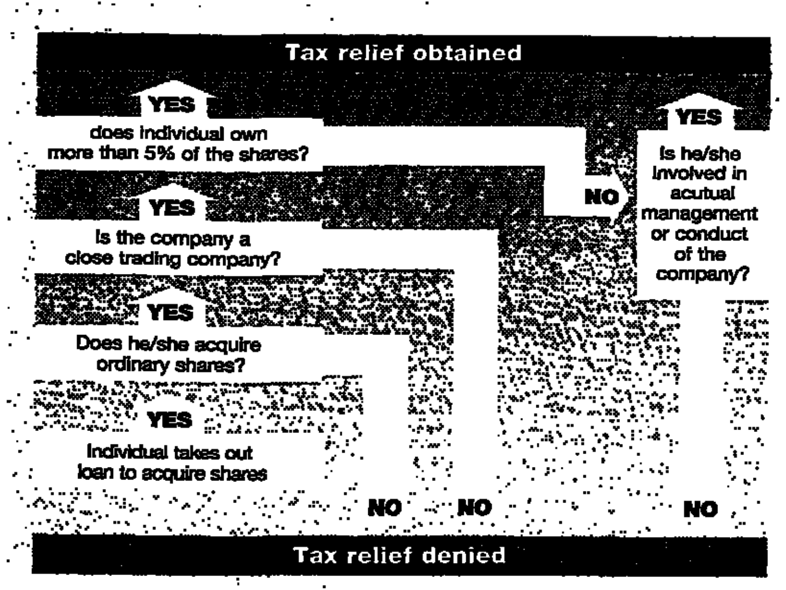
All the other conditions relate either to the company in which the shares are being acquired, or the link between that company and the shareholder.

The company must be a "close" company – broadly, one under the control of five or fewer individuals, or of its directors. This often is a potential problem for executives who take part in a management buy-out. Such MBO companies will usually be controlled by institutional investors and, as such, will not be close.

Fortunately, the Inland Revenue accepts that if the company is close when the borrower buys his shares, the fact that it becomes "open" will not jeopardise the interest relief. To exploit this concession, managers engaged in a buy-out should first form their own company. This will satisfy the "close company" condition before the outside investors take control.

Being the first subscribers, however, could make it more difficult for managers to clear the second hurdle, which is that the company must be a "trading company" when they invest in it. How widely this term should be construed was the point at issue in a High Court case last year. It followed the management buy-out of a business called Microsystems from Plessey, the electrical giant.

The ups and downs of tax relief on share loans



The management team set up a company called Radstone, intending to use this as its buy-out vehicle. The team took up shares in Radstone – financed by bank borrowings – several months before the purchase of Microsystems was concluded.

The Revenue rejected the managers' claim for tax relief on their bank interest and claimed Radstone was not yet a trading company when they subscribed for their shares. Its hair-splitting logic was that the main purpose of a trading company must be carrying on a trade whereas, at the relevant time, Radstone's main purpose was to acquire Microsystems from Plessey.

This sophistry was rejected by the judge. He ruled that if a company was established to acquire a trade, it could fairly be said that, even before the trade was acquired, the company's purpose was to carry on that trade. The acquisition of the trade was the means by which that purpose was achieved and not an end in itself. So, the managers won.

Assuming the company qualifies as both close and trading, the focus will then shift to the borrower's relationship with it. There are two tests. One is that the borrower – either alone or together with his close relatives and other associates – owns more than 5 per cent of the ordinary shares.

Where this threshold is not reached, the Taxes Act 1988 says relief will be available only if, during the period starting when the loan is drawn down and ending when the interest is paid, "the individual has worked for the greater part of his time in the actual management or conduct of the company."

There has always been uncertainty as to how far up the managerial hierarchy you had to be in order to satisfy the "management or conduct" test. The Revenue's opinion – set out last November in its *Tax Bulletin* – is that the individual must have a role "in the overall running and policy-making of the company as a whole."

In the Revenue's view, it follows from this that "managerial or technical responsibility for just one particular area" will not suffice. So, it seems that project-based rocket scientists will lose out to head office plodders.

Borrowers who can pass these manifold tests will get tax relief, not only if they use the loan to buy shares but also if they lend that money on to a close trading company – provided the money is used exclusively for the purposes of that company's business.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Revenue refuses to budge

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

In my share dealing during the present tax year, I made profits of £3,500 and losses of £3,000. Am I entitled to carry forward the losses against any capital gains tax in the future?

■ We consider the answer is yes. Unfortunately, the Inland Revenue maintains the answer is no. It is to be hoped the question will be decided in the House of Lords one day.

The crucial wording is now to be found in section 2(2)(b) of the Taxation of Chargeable Gains Act 1992: "Capital gains tax shall be charged on the total amount of chargeable gains accruing to the person chargeable in the year of assessment, after deducting... so far as they have not been allowed as a deduction from chargeable gains accruing in any previous year of assessment, any allowable losses accruing to that person in any previous year of assessment (not earlier than the year 1965-66)."

We consider the Revenue's construction of the words after the dots to be perverse and untenable. It considers our construction to be contrary to the intention of parliament.

Unwelcome Miras bill

My husband and I bought our house in January 1988 when we were not married. The mortgage was £37,000. We married in May that year but did not tell the building society until a few months ago. The Revenue is now claiming we have been receiving too much Miras and has sent us an accumulative bill of nearly £900.

■ The provisions of section 42 of the Finance Act 1988 were designed to discourage cohabiting mortgagors from marrying: although the 1988 act was not passed until after you had got married, the March Budget, plus comment in the FT and elsewhere, did make the then chancellor's proposed tax penalty for marriage quite clear. It is a pity both of you missed all the warnings against getting married while your joint mortgage exceeded £30,000.

You say you did not tell the building society of your marriage until a few months ago but it is not clear if you also kept your respective tax offices in the dark. If you did, then your respective tax affairs will need revision for 1988-89 onwards as a whole (not just in respect of the mortgage interest) because you will have continued to be taxed as two single people instead of as a married couple.

Sharing a nanny

I share a nanny with another family and her duties, for both families, include the delivery of children to school and collecting them.

Since she incurs motor and other expenses during her duties, it would be advantageous for her to work on a self-employed basis and thus claim expenses against her income. Is this is acceptable to the Revenue?

■ Both the Revenue and the Contributions Agency of the DSS are likely to resist the nanny's claim to be self-employed. She will, therefore, need professional assistance from someone skilled in this area of law.

As a first step, she could ask her tax office for the free pamphlets IR28 (Starting in business) and IR56 (Employed or self-employed? – a guide for tax and national insurance).

A credit to all concerned

I am not an accountant, just an interested amateur. I refer to your Q&A answer "Income tax query" on January 15. Should it not be £10,000 at 20 per cent (and not £8,000 at 25 per cent)? If I am right, I am astonished.

■ The credit at 25 per cent on £8,000 was based upon the assumption that by his phrase "investment (equities gross) of £10,000," the reader meant "Schedule F income of £10,000" – viz. UK dividends of £8,000 plus their 25 per cent tax credits.

The reply was sent to him by post before Christmas and, as he had not come back to us, we assume that was indeed what he meant.

Because UK dividends have been paid gross for the past 20 years (except for dividends on building society shares, which have had tax deducted from them since April 1991), it is often difficult for us to be sure what a reader means when he or she talks about his or her "gross" income from UK equities. So, we do the best we can.

❑ Correction

In the same reply, the figure £6,225.75 should have read £6,215.75; similarly, £4,225.75 should have been £4,215.75. But these misprints did not affect the final tax bill of £571.00 – viz. 20 per cent of £2,855.

Cheers: Andrew Bishop drinks to the health of his new business. "I'll deliver my beer to almost anyone who wants some," he says

Ashley Ashwood

Brewer's recipe for success

Andrew Bishop's Cathedral ale is now serving, thanks to a bank loan and the help of some thirsty friends. ***Graham Deller*** *sampled the new beer*

A brewer and an intensive care nurse in a hospital's liver unit make an incongruous mix. Nevertheless, Andrew Bishop, 28, founder of London's newest brewery, is grateful for the vocation followed by his wife, Alison, a sister at King's College Hospital.

"She paid the bills while I set the business up," he said.

Bishop's Brewery is a fledgling concern in the shadow of Southwark Cathedral and the Borough fruit and vegetable market just across the River Thames from the City. A former grain warehouse has been transformed, thanks to a loan from Midland Bank and the largely unpaid efforts of thirsty friends, from a spider-ridden shell into a plant capable of producing 850 gallons of beer a week.

Start-up costs, including some second-hand equipment, worked out at about £20,000, plus another £10,000 for brewery transport, essential for deliveries to outlying pubs willing to take a new beer. Said Bishop: "I'll deliver to almost anyone who wants some."

Bishop had managed the adjacent Market Porter pub, a free house, for five years before staleness set in: "I wasn't going to progress in the business and didn't fancy any of the other houses in the group. It was time to go it alone."

It was not all plain sailing, however.

Locating the premises was easy: he agreed a six-year lease from the trustees of Borough Market in January 1993. Local residents raised no objections. Bishop gave himself three months before brewing began; steelwork was erected, plumbing and electrics installed. He reckoned, however, without the attentions of Southwark Council.

The local environmental health officer expressed anxiety over the ventilation, and council permission to change the use of the building proved more of a problem than expected. But Bishop eventually occupied the building in November, producing his first brew on December 18.

Cathedral, as the initial beer was predictably named, proved a great success in a limited market. Test tasting by electricians, plumbers and, I have to admit, journalists, indentified a light hoppy beer with a definite bite. "That was my fault, I put twice as many hops in as I meant to," Bishop admitted.

The recipe has since settled down, although it still features more hops than the average brew: "It's not a run-of-the-mill product, it's still got a pronounced hop character that sets it apart from grim mass-produced muck."

Bishop, working on his own at present, supplies five pubs in the area as well as a few further afield. Potential expansion from these modest levels is limited by design: "I don't want to get too big too soon; I've seen too many people come unstuck."

Indeed, the path from the Tom Caxton home brew kit to the handpump in the hostelry is littered with well-intentioned failures. Many a home-brewer thinks a marketable beer is just around the corner. Few succeed.

Bishop's past is free from such experiments: "I don't like drinking beer at home, it somehow doesn't fit with armchairs and sofas."

His experience is mostly in the trade: "I fell into the licensed trade straight from school, working, illegally [he was under-age], behind a bar in Streatham." Bishop honed his brewing knowledge with a three-month stint with David Bruce's famed Firkin chain. "I never met him but I learnt a lot about costings."

In spite of the sizeable capacity, Bishop only needs to sell eight 36-gallon barrels a week to break even. He hopes to turn over £60,000 this year.

Advertising is another step to be faced. "I haven't been out in a suit and tie pushing people . . . yet."

Beer festivals and a growing number of pubs willing to take beer from small breweries do his cause no harm. "Beer-spotters come from miles to taste a new beer, and if they like it, they spread it."

Which is not necessarily good news for Kings' liver unit . . .

■ *Bishops Brewery, 2 Park Street, London SE1 9AB. Tel/Fax: 071-357 8343*

Number one is the first among numbers

But why is 59 so weak? wonders ***David Lascelles***

What is the most frequently used number between one and 100? No prizes for guessing the answer. It is, of course, one. But what is the least used number? The answer is 97.

I can say this with some certainty because I did a little research during my Christmas holiday idleness. Thanks to the miracle of electronic data search technology, I was able to find out how many times each number between one and 100 appeared in 17 UK newspapers during 1993.

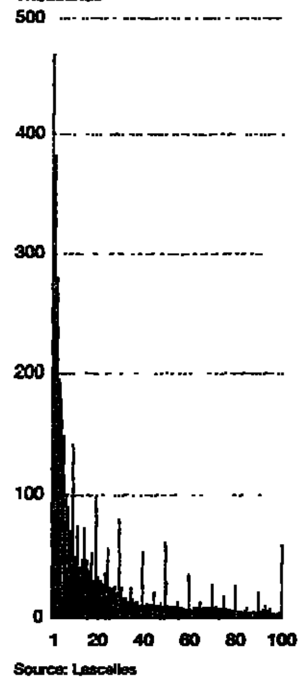
In case anyone thinks I'm dotty, the research took only a few minutes, and I hold no mystical belief in numbers. I was simply curious to see whether there were any interesting patterns or anomalies. As far as I knew, no one had ever looked into this before. Indeed, no one would have been able to until computerised databases became available quite recently.

But like many pioneers, I encountered an early disappointment. The results were rather predictable: smaller numbers get used a lot more than bigger ones.

The numbers game

Incidence of numbers in 17 UK newspapers, Dec 1992 - 93

Thousands



Source: Lascelles

The interesting thing, though, is that the pattern is quite smooth, as a glance at the chart shows. But the downward slope is a curve rather than a gradient. It descends sharply from its initial peak, starts leveling out in the 30s, and then tails off gradually towards 100. Even the 10s show a consistent pattern, except for 50 and 100.

More interesting is that the curve has a marked logarithmic shape to it, in other words, the variation between the use of individual numbers diminishes progressively rather than at a steady rate. This is presumably evidence for the hypothesis that the higher the numbers, the less people care about the difference between them.

If so, this slope could be quite useful in helping people deal with issues which depend on perceptions of the size of numbers. For example, you could use it to calculate the size of bonuses needed to provide required levels of incentive, or people's reaction to news of disasters involving large losses of life, or the political impact of decisions which affect large numbers of jobs.

What other points emerged?

The blips on the curve show clearly that we operate a decimal system, again predictable. But they also give an idea of the lingering strength of the duodecimal system. Blips are visible at 12, 24 etc up to 72. Only at 84 do they vanish, suggesting that six dozen is about the limit.

Thirty-one sticks up a bit. This was the favourite number of Srinivasa Ramanujan, the Indian mathematical genius, because it begins a remarkable series of prime numbers (331,3331 etc). I got a bit excited about this but I suspect the reason here is more prosaic: 31 is the last day of many accounting months.

There is also a hump at 92,93,94, which I took to reflect the year the numbers appeared.

Number 13 is under-used, but apart from that I could find nothing to comfort or frighten the superstitious.

If the underlying pattern is correct – that a number is less used the greater it is – this means that the natural place for each number is itself. In other words, 57 should rank 57th in use. But there are many exceptions.

An interesting exercise is to find the numbers which are used more frequently, or less frequently, than they should be. I decided to call these "strong" and "weak".

The strongest number is 100, which ranks 16th in use and is therefore 84 places ahead of itself. Other strong numbers are the 10s and 5s, and those such as 93 and 72 which can be explained.

The weakest number is 59 (which slips 22 places to 81st), followed by 61,58,41 and 39. I suspect they are the casualties of "bunching" – the tendency to round up or down to strong numbers such as 60 and 40.

Even numbers do better than odd numbers in the strength rankings, which is probably because they are more useful, being more easily divisible. For similar reasons, I suspect, prime numbers are also weak: only one (67) makes it to the strong category.

I'm not sure how the concept of strong and weak numbers can be exploited. Do strong numbers influence the way people feel about them? Do you have more respect for 45 (which is five places up) than for 28 (five places down)? Might people who market brands which contain numbers find something here?

Well, anyway, it helped pass the holiday. If anyone wants the raw data to experiment for themselves, just send me a stamped addressed envelope at the FT.

What's up Doc?

Continued from Page I

be the first step towards a Doctors Charter – and they could certainly do with one as I believe them to easily exploited. Doctors for generations have worked ridiculous hours, given their all, survived – and even enjoyed it.

I applaud the emergency service scheme, because it attends to the needs of the partnership between GPs and their patients.

Health care, the link in this partnership, is now seen as a commodity and like any other commodity it has a value. It needs to be perceived as such by patients and professionals.

□ □ □

When I first came to the UK seven years ago, I remember how surprised I was to experience a "cost free" service. No one asked the cost of a drug, an investigation, an ambulance trip . . . I could go on all day. What we prescribed was never questioned, it was simply given. It was utopia. The bubble had to burst.

Awareness of costs is the first step to efficient use of a limited resource, even if attaching price tags to health care is disagreeable.

Today, doctors have a new perception of the cost of the service which gives a new meaning to ideas of quality and value.

Now, patients' perception of the cost of the service also needs to change. Patients need to respect it, value it, take responsibility for their own health and use the service only when appropriate. This is a true basic that we should get back to.

An ugly way of life

Clive Fewins *meets a man who makes gargoyles*

The hands that carved 1,000 gargoyles are still hard at work. Now 74, veteran sculptor and stonemason Michael Groser still chips away, paper hat on head, whenever he receives a call from an Oxford college that a vital part of its structure is in need of replacement.

The call usually comes from an architect or a contractor. But whatever the intermediary, Groser's work is stamped indelibly on the Oxford skyline, and on the interiors of parish churches and other buildings.

Many of the hundreds of pinnacles at All Souls college, each adorned with a profusion of crockets, or little stone bulges, are Groser replacements of medieval originals.

At the same college most of the replacement carving on the famous twin Hawksmoor towers are Groser's, while at New College there are some 200 carvings by him. Groser sang in the college chapel, as a salaried lay clerk, for 27 years. Singing was his first career after he left university and theological college, where he spent 18 months before he decided against following his father into the priesthood.

In spite of acquiring an Equity card and acting in two films, Groser settled for architectural sculpture, being drawn to Oxford from London in 1955 by the lure of work and the fact that his wife Eileen was born there.

It was the time of the great drive to restore many of the colleges, and by the early 1960s Groser found himself in demand by local builders. He soon found he had the ability to mimic the medieval styles. The little stone demons, wrestlers, bishops, horsemen and dogs, as well as figures with all manner of afflictions from gumboils to large warts stare down at the observant visitor.

Universal Pictorial Press

New College, where there are some 200 Groser carvings

Gargoyles, properly named grotesques, were a sort of medieval joke, introduced by stonemasons. They are also believed to represent the last vestiges of paganism – guarding the Christian buildings against the pagan forces the faith had subdued.

Whatever their origins, gargoyles and grotesques were often caricatures of well-known faces in the medieval town.

Michael Groser's work carries the same humorous stamp. At the Oxford church of St Peter in the East – now the library of St Edmund Hall – he was commissioned to carve 12 faces: the principal, bursar, librarian and a past principal among them. Others include the foreman, chief architect, and managing director of the main contractor at the time, and Groser himself.

That is not the only college building in which Groser's stone caricature appears. In one other he is wearing the familiar daily newspaper hat that he always makes for himself to keep the dust out of his hair.

As well as being a caricaturist in stone, Michael Groser is also a wood carver of note. Examples of his work can be seen in Westminster Abbey, St Paul's Cathedral, Wells Cathedral, St Stephen Wallbrook church in London and, more recently, as part of the National Trust's major restoration of Waddesdon Manor near Aylesbury.

"Generally I prefer working in stone. You are not constantly sharpening tools, as with wood, and you have to be thinking about the work all the time," he said.

"It's nice to think that many of the stone grotesques I have replaced date from around 1390 and it's even nicer to think that many of my replacements should also last about 600 years," he said.

■ *Michael Groser, 40a Bagley Wood Road, Kennington, Oxford OX1 5LY. Tel: 0865-739293.*

SPORT

Tennis / **John Barrett**

Lack of depth in the women's game

Today Steffi Graf, the 24-year-old German, and Arantxa Sanchez-Vicario of Spain, two years younger, meet in the final of the Ford Australian Open, the first grand slam championship of 1994. For both it will be an important occasion, the first real test for either at a meeting where the average women's standard has been disappointingly thin.

Graf has lost just 26 games in the six matches that have brought her to a fifth final here in Melbourne, three of which have ended in victory. Sanchez, who has lost at the semi-final stage for the last three years, has conceded one set and 38 games in reaching the final for the first time.

These two, the current leaders of the women's game in the absence of the reigning champion Monica Seles, have played each other 26 times since 1988. Steffi has won 21 of those matches, including a semi-final victory here last year. But three of Arantxa's five wins have been at the grand slams, two in Paris and one in New York.

The first of those French wins came unexpectedly in 1989 when Arantxa, a bubbling 17-year-old who chased every ball with exuberance, revealed an uncertainty in Graf's game that has been apparent since on the great occasions.

The second French win, an amazing 6-0 6-2 semi-final victory, occurred two years later. It was the first 6-0 set that Graf had lost in five years and came at a time when Steffi was going through family problems concerning her father, Peter, on whom she had always depended.

These days Graf is altogether more independent. She looks fitter and faster than she did last year and is hitting the ball harder than ever thanks to a new compression moulded graphite racket.

Yet there is still a doubt about Graf's ability to maintain her attacking game against a scrambler of the class of Sanchez. Two of their matches stand out. The first, at the US Open in 1992, on a surface similar to that in use in Melbourne, was full of German frailty. The number of unforced errors Graf committed that day brought her a 7-6 6-3 defeat.

It was the same last year on Florida clay at the Lipton Championships where Sanchez simply allowed Graf to hit herself to a 6-4 3-6 6-3 defeat. Steffi's coach Heinz Gunthardt could hardly believe what he had seen. "She seemed determined to lose," he said after.

While recognising Graf's wonderful record in the grand slams – this is her 22nd final of which she has won 14 – the pressure on the athletic German is growing as Seles' return to competition draws nearer. (The best guess is that Monica will play in Palm Springs next month.) Riding a streak of three consecutive grand slam wins, Steffi knows that her free ride atop the computer is about to end. This knowledge might work to the advantage of Sanchez. If the Spaniard can return Graf's serve with interest, as she did during those wins in Florida and New York, then she could win. If, however, the Spaniard stops believing in herself for an instant and stops playing positively, she will be swept away on a tide of German aggression.

'More Americans are needed to compete at the top'

The lack of real depth in women's tennis is worrying. It is hard to believe that there was only one American in the quarter-finals.

Lindsay Davenport, 16th seed, is a tall, promising 17-year-old with the build of a basketball player and powerful groundstrokes. She was too inexperienced to worry Graf in the quarter-finals but the confident nature of her 6-2 6-7 6-2 win against fellow American Mary Joe Fernandez, seeded No 3 and twice a finalist here, was encouraging.

With Jennifer Capriati away from the circuit for an indefinite period while she returns to school in search of a normal teenage existence, the game needs more talented Americans challenging for the top honours.

Elsewhere the challenge was virtually non-existent. Kimiko Date, the winner against Fernandez in Sydney two weeks ago and the first Japanese semi-finalist here since 1973, was completely overawed against Graf in the semi-finals.

Gabriela Sabatini, without a tournament win since the Italian Open in 1992, was equally ineffective against Sanchez in the other semi-final. In spite of her convincing win against Wimbledon finalist Jana Novotna in the previous round, Sabatini looked slow and unhappy with her game.

Carlos Kirmayr, Sabatini's Brazilian coach, with whom she has resumed the successful partnership that brought her the 1990 US Open title, has much work to do – particularly on her serve which has become something of a liability.

Tomorrow's men's final will pit top seeded Pete Sampras, the Wimbledon and US Open champion against the No 9 seed, Todd Martin, whose quarter-final appearance at last year's Wimbledon was his previous best grand slam performance. It will be the first final between two native born Americans. (South African-born Johan Kriek had just become an American citizen when he beat Steve Denton in 1982.)

In the semi-finals, Martin revealed the inadequacy of Stefan Edberg's serve by blasting countless winning returns. He also served 13 aces to Edberg's six. Martin's 3-6 7-6 7-6 7-6 win was an awesome display of power hitting.

In beating his old friend and doubles partner Jim Courier 6-3 6-4 6-4, Sampras was even more impressive. Courier, bidding to become the first man to win three times in a row since Roy Emerson put together five successive wins between 1963 and 1967, was simply outplayed.

Sampras hit almost twice as many winners as Courier (42-22) and committed fewer unforced errors (17-31) in a performance of relentless aggression. Poor Courier. Hard as this dogged competitor tried, he was simply outgunned. Martin seems certain to share the same fate.

Greyhound Racing / **Michael Thompson-Noel**

A dog of my own

The final bend: "The hare always wins. It is the mystery of what will come second that fascinates those who go to the dogs."

Split Second

I think I shall buy a racing greyhound – a *whole* racing greyhound – because I now know I will never be rich enough to own a whole racehorse.

Greyhounds are a lot less expensive than racehorses. I *leased* a greyhound once. I had asked the managers at London's White City stadium how to go about buying a dog. They shuffled their feet. Finally, they suggested that a gentle introduction to dog-racing would be obtained by leasing a greyhound.

The dog that ran in my name won quite a few races – once at 8-1, which is a far richer experience than a poke in the eye. But no money changed hands. I had neither outgoings nor incomings – no training bills, no prize money. All supremely pointless.

But the notion of owning a greyhound has never gone away, and has been revived by a splendid book, published this week: *The Dogs*, by Laura Thompson, a one-time actress but better known as a sports columnist for *The Times* and now as a contributing editor for *Esquire*.

Thompson writes well, though sometimes too fastidiously, for there are echoes in her book of Joyce Carol Oates, the American novelist who has written, with visceral distinction and intellectual tone, about pugilism. There are passages in *The Dogs* where Thompson, one feels, struggles in vain to chase after Ms Oates.

She is a quality act though. Her father owned strings of greyhounds, which is how she knows her stuff. Crisply, she opens with a chapter called *Facts*, which starts: "The simple facts are these. Six greyhounds run around an ovoid track in pursuit of a mechanical hare. The hare always wins. It is the mystery of what will come second that fascinates those who go to the dogs."

In Britain, every afternoon and evening, six days a week, people go to the dogs. At present there are 37 licensed tracks, plus about 50 "flapping" or unlicensed tracks. About £400m a year is gambled on the dogs at UK tracks, and about £1.6bn off-track. It is Britain's second biggest spectator sport.

Thompson says that most of the 50,000 dog races in Britain each year are "roughage" – graded races run for a winner's prize of less than £100. The fastest dogs compete in open races, and the fastest of all may make the final of the greyhound Derby at Wimbledon Stadium, where the prize money is £40,000.

If a greyhound wins occasionally, it should pay for itself.

"To buy a decent greyhound over the age of 18 months, whose puppy form implies that it might turn into even a minor open racer, will cost perhaps £8,000. A dog that might make a major open racer will almost always cost five figures."

How do you buy a greyhound? Possibly from a breeder – ideally, in Ireland – or from an agent, a trainer, an auction or the back pages of *The Greyhound Life*. It might be a puppy or a fully-known quantity. "Nothing ensures success," says Thompson, "although knowing a good breeder is probably the safest method. However, these people are not so easy to get in with ... One has to be *in the know*. It is only those that are in the know that have any real chance of consistent success."

At £25-£35 a week, a greyhound is very cheap to keep. If it stays fit and wins occasionally, it should pay for itself. To *make* money out of a graded greyhound, however, says Thompson, you need to be an astute gambler.

On the other hand, a good open racer will "earn wads of prize money, shelf-fuls of silverware, delicious hoards of gambling returns and perhaps, if male, thousands of pounds' worth of stud fees." The stud fee for a greyhound that has already sired good pups is £400 or more – a fraction of the stallion fee for a tip-top racehorse, but still a useful earner.

Although it is the great working class sport, dog racing has declined, says Thompson, to a worrying point. "From occupying a proud, even necessary place in sporting culture, 'the dogs' now keeps a dimly picturesque corner in popular social history: a thing that people have never not known about but have never really known about, a thing that, as with many old things, is loved not with a passion but with indulgence."

Except, of course, that there are still what you might call dog people – people doing the thing they want to be doing, casually and unthinkingly in love with their sport.

Thompson is excellent on dog people, some of whom are "lary". Lary, she says, is a conflation of the words leery, wary and garish. "It is a millionaire market trader, a bright gold Rolls-Royce, a country mansion in Wanstead, the good-humoured smile and suspicious eyes of a successful bookmaker."

An acquaintance of her father, who had made a lot of money, started flashing it around: red polonecks, declamatory suits, dainty house ornaments, a condom-shaped car. "'He used to be a silly old sod', said my father. 'Now he's a silly lary old sod'."

She is just as good on dogs. She writes movingly about many of them, including one of her father's, called Commutering, a big, brindle dog, very male-looking, with ears that pricked up into tall triangles. Commutering won many open races. Then he went to stud. But cancer got hold of him. He could have been saved if the vet had been allowed to amputate a leg, but *Thompson's father wasn't going to* let that happen.

"'I wasn't going to do that to the old feller'," her father told her, and Thompson "understood that he had done the right thing by his racing greyhound in allowing him to die calm and intact."

References to dog racing crop up in the most unexpected contexts. In a US magazine article recently, discussing Bill Gates of Microsoft and whether Gates' enormous power in the computer world was dangerously untrammelled, a leading manufacturer of work-stations said:

"I like Bill...But I think the problem is that Microsoft has caught the bunny. You know, when you go to the dog track they have that mechanical bunny that makes the dogs run? Well, sometimes a dog is so fast he catches the bunny and then the other dogs don't run any more. That's the situation in the software business today: Bill has caught the bunny. I admire Bill for catching the bunny, but now we can't have a race."

I will never catch the bunny; but I think I can afford a greyhound.

■ *The Dogs*, by Laura Thompson, Chatto & Windus, £9.99.

Skiing / **Arnie Wilson**

A hug can give you a lift

Silver Star, hidden away in a remote part of Canada's Okanagan Valley, is about to ignite a small but bright glow in the minds of those British skiers already committed to crossing the Atlantic for their annual romp in the snow.

The main cause of its sudden emergence as a potential world player is the opening up of some impressive intermediate and advanced terrain, thus making it the biggest ski area in British Columbia after Whistler / Blackcomb, and removing almost at a stroke its reputation as a mere family hill for beginners and intermediates.

A diminutive ski-lift attendant, Mary-Jane Rutherford, also deserves part of the credit. It takes all sorts to be a "Liftie": in the Alps you are lucky if they acknowledge your existence; in the States they ask "How's it goin'?" and wish you a nice day, but at Silver Star they go one better – they hug you. Not every time you use their lift, of course, but pretty much as often as you feel the urge ...

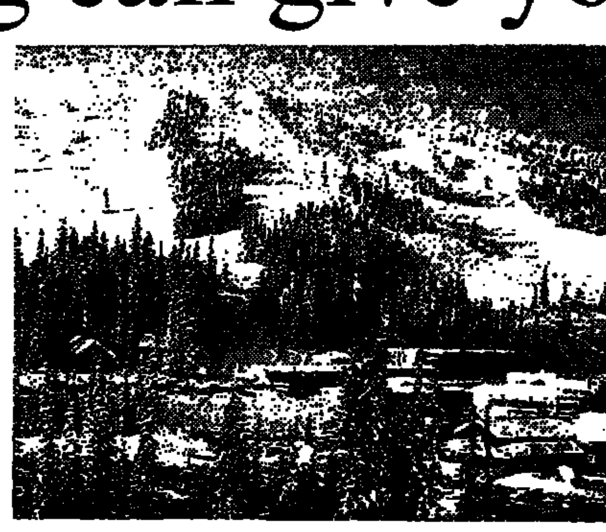
More phlegmatic types, determined to preserve stiff upper lips, will not want to be hugged or have their space invaded by a complete stranger. Even some of the Canadians themselves are not overly fond of the idea. But to me it felt just about as spontaneous as a good gimmick can be.

During our visit to this delightful ski area, I was hugged by a number of female "Lifties", including Mary-Jane, the young lady who started the trend; it can be quite a tonic on a winter's day.

It all started when Miss Rutherford, the slightest but most exuberant of lift operators, noticed that a skier had written "Have you hugged your kids today?" on a message board at the bottom of her lift.

She changed it to "Have you hugged your Liftie?" – and was immediately swamped with so many hugs that it became a habit. Now most of Mary-Jane's colleagues are up for hugs too. The habit has even spread to neighbouring ski resorts.

A ski resort, of course, cannot live by hugs alone, and Silver Star has many other qualities. With skiing on both sides of Aberdeen mountain there are more than 60 attractive trails cut through the trees and encompassing every degree of difficulty.



Don Webb – Silver Star

Silver Star: extended to become more than just a family hill

FT Round the World Ski Expedition

Arnie Wilson and his companion Lucy Dicker are fast becoming celebrities with frequent television appearances in North America, on the first leg of their trip round the world.

Arnie reports: "People who have seen us on a TV show hosted by Steve Podborsky, one of the celebrated crazy Canucks who won nine downhills, or on BCTV, keep coming up to talk to us. One said: 'Are you the guys who are skiing for ever and ever?'

"We are collecting a lift ticket from each resort in an album – and Clint Eastwood autographed the one we got in Sun Valley, Idaho when we bumped into him in a mountain restaurant."

■ Arnie and Lucy aim to ski every day during 1994 and to cover 5,000 miles on the slopes. A full report on their progress, plus a reader competition, will appear in next week's Weekend FT.

Vance Creek, the traditional side of the mountain which opened in 1958, has 38 trails almost exclusively aimed at family and intermediate skiers.

On the other side of the mountain, Putnam Creek was opened a year or so ago and has some scorchingly steep trails among its 23 runs. Another large mountain face across the valley is earmarked for further expansion.

Many of the trail names reflect either the area's mining history or astronomical connotations in keeping with the resort's name. Lone Star, Milky Way, Constellation and Big Dipper are all enjoyable blue runs on the Vance Creek side. White Elephant, Gypsy Queen and Eldorado, all on the Putnam Creek side, are named after old mining claims.

Silver Star is run by John Gow, the resort's president. He is a hands-on executive who lives on the mountain and provides the personal touch that so many ski resorts lack. The strict planning regulations are simple: "They have to please me," says Gow's wife Heather – and she is only half joking.

She has decreed that the few new buildings erected have to be neo-Victorian in an attempt to recreate something close to the gaslight era of the late 1890s. With their bright pastel shades and ubiquitous fairy lights, these town houses make for a colourful, cosy and charming, if ersatz, atmosphere.

Silver Star has become too good and too big to remain a British Columbian secret for much longer, and already skiers from Europe are beginning to find their way there.

It can easily be combined with two major skiing attractions already well-known to British skiers: helicopter skiing in the Bugaboo, Monashee and Cariboo ranges, and the major destination resort of Whistler/ Blackcomb.

This year, for the first time, Silver Star is featured in British ski tour operators' brochures: Made to measure, Canada's Best and All Canada Travel and Holidays.

But will it be a question of "No hugs please – we're British"?

■ *Arnie Wilson stayed at the Vance Creek Hotel, the resort's leading hotel, with roof-top hot tubs, a Victorian-style dining room and live music which includes old time fiddle shows. The rates are C$30-124. (tel 0101 604 549 5191)*

Cookery / **Philippa Davenport**

Extracting the right recipe

Dental trouble has plagued my household recently. Indeed, my husband has lost three teeth in as many months. The fight to save them was long and valiant. He has endured many waiting rooms in the company of old *Country Life* magazines, not to mention throbbing, anaesthetised jaws and the constant, chilling sound of drills.

My instinct was to nurse him through the crisis with invalid or baby foods. I banned from my menus any potentially perilous nuts, grains and spicy seeds, or crunchy apples and other fresh fruits that might add to the problems. Instead, we re-entered the bland gastronomic world of the nursery.

Those who went to public schools are said to retain a fondness for nursery food all their lives. In practice, though, there is a limit to how long adults with educated palates can endure a daily diet of porridge, baked eggs, fish and shepherds' pies, custard, rice pudding, apple snow and bread and butter pudding.

The breakthrough came when I realised that easy-to-eat foods need not be so nannyish or insular. More sophisticated and international options deserved consideration. Little tooth fairy treats began to appear at meal-times and the patient perked up.

Oeufs soubise replaced scrambled eggs. Instead of steamed cod, there were *mousselines* or quenelles of salmon, pike or scallops. There was guacamole; steamed meatballs with coriander raita and dahl; and *oeufs á la neige* with mango instead of baked apple.

Particularly pleasing were the de luxe offerings that punctuated the pain-ridden weeks: caviare, *foie gras* and oysters. Admittedly, though, this was luxury indulgence. So here are a few more modest suggestions.

AUBERGINE CAVIARE

Teasingly named, this consists of small aubergines pricked and cooked under the grill until the flesh feels very soft under the blackened and blistered skins. Strip off the skins and squeeze some of the juices from the flesh (Dutch-grown aubergines can be wringing wet). Tear the flesh to shreds with forks, or purée it in a food processor or blender, adding a sliver of crushed garlic for every pound of aubergine.

Season lightly, beat in a few spoonfuls of olive oil and a good splash of lemon juice, and scatter with chopped flat-leafed parsley or coriander.

MUSHROOM CAVIARE

This is as dark and rich as aubergine caviare is delicate and light.

Soften a small, very finely-chopped onion in plenty of butter until it is meltingly tender. Chop roughly about ¾lb flat mushrooms, discarding the stalks, and sauté briskly until most of their moisture is driven off.

Mix the vegetables, splash them with marsala (or madeira or port) and season well with salt, pepper, toasted and powdered cumin and coriander seed. Add a shake of cayenne.

When cool but not cold, process briefly to a grey-flecked mixture that a blind man might mistake for caviare, adding extra butter gradually (at room temperature and diced).

When the texture is creamy – I allow one part butter to two or three parts mushroom – check seasoning and pot.

POTTED SALMON WITH DILL & LIME

Season and wrap a piece of salmon in buttered foil with a sprig of dill and a slice of lime. Bake or steam the fish until just cooked.

Unwrap it when cool but not cold. Skin and bone it. Weigh the flesh, then shred it with a pair of forks, working in gradually the juices contained in the wrappings and plenty of cool, melted butter (using a ratio of three parts butter to four parts fish).

Season with salt, pepper, very finely-grated zest of lime and chopped fresh dill. Pack into pots and seal with a thin film of clarified butter.

Time for Michelin to think again

Memo: to the Rt Hon John Major MP, the Rt Hon John Smith MP and Mrs Stella Rimmington, head of MI5.

Concerned about security? Worried about those embarrassing leaks to the Press? Allow a humble restaurant correspondent to offer a solution.

Consult Derek Brown, editor of the *Michelin Guide to Great Britain and Ireland* since its inception 21 years ago.

He is the man who has, without a single security lapse, just bestowed the coveted stars and Red Meal symbols on 133 dining rooms and supervised the entries on a total of 4,625 hotels and 1,085 restaurants in the 1994 guide (£10.95).

Keeping such secrets has not been easy. In a rare interview Brown admitted that for the past three weeks he, his team of nine inspectors and his Press Office, had been continually questioned by chefs, restaurateurs and the national and catering press as to who would be promoted, demoted or even dropped completely. Not a word had got out.

During the course of a year his team travels for 10 months, eats out twice a day and sleeps in a wide variety of hotels (I asked for figures on total annual expenditure but this proved a secret that he would not divulge). In most cases the inspectors introduce themselves after the meal, talk to the chef or proprietor and inspect the kitchen.

A dirty kitchen is an immediate disqualification, as is an over-dependence on the deep freeze – happily, Brown stressed, almost a thing of the past.

Using this type of continuous assessment, Michelin's inspectors build up a rapport with the British hospitality industry which Brown insists is safeguarded.

The team hears trade and family gossip – in one case an inspector was told that the chef planned to divorce his wife and sell the restaurant even before the wife knew of his plans – and keeping these sources of information private is essential for the guide's future.

Brown described the Michelin Guide as having been conceived as a "simple book to help people to get around". He cited the example of a couple who arrived in Lincoln and who needed to find a room and a restaurant that would meet their requirements but not stretch their wallets. Michelin's annual sales of 80,000 copies for its UK edition worldwide proves that it achieves this ambition.

The Michelin guide to the UK stands as a sister volume to its six other European guides. Brown is at pains to stress his and the guide's independence. He travels to France frequently to eat and keep abreast of culinary trends rather visit Michelin's headquarters in Paris.

'Serious questions can be raised against the validity of some awards'

Although Michelin has bestowed its stars since 1974 I am sure it did not anticipate the tears and the financial success or failure which they would generate.

This week, at a lunch at Leith's, in west London, before 15 selected food writers, Brown made a short speech in which he stressed that the most satisfying professional element in his years as editor has not been the drama over who gets how many stars but the large increase in the number of entries, from 3,000 to 5,700, and the sharp rise in the overall quality of food and service. Unfortunately, Michelin's policy of not including an introduction to its guide means such facts are not often publicly proclaimed.

And serious question marks can be raised against the validity of some awards. Does, for example, Marco Pierre White at the Hyde Park Hotel in Knightsbridge, deserve two stars when, twice to my knowledge, he has asked paying customers to leave his restaurant because they dared to complain about the food?

It is also surprising to see the award of a star to the Grill Room at the Café Royal, London W10 and even more so to one for The Canteen in SW10. And does Leith's, which served a decidedly unbalanced meal for the guide's launch, also deserve a star?

Elsewhere in the capital, there is still only limited recognition for talented Simon Hopkinson at Bibendum, in Michelin House, Fulham Road, SW3 and Alastair Little of Frith Street, W1. There is also a large number of "ethnic restaurants" which perhaps deserve more recognition. And I also feel that still not enough importance is given by Michelin to the price/quality ratio, an essential ingredient for any service industry in the 1990s.

Brown endured criticism of this nature from a fellow restaurant reviewer throughout the lunch and then, when they parted, admitted that they had had the same dispute for the past 20 years. So long as the star system prevails there are bound to be such arguments, particularly when other restaurant reviewers feel they can do the job better and chefs feel their hard work and dedication is under-appreciated.

I feel the needs of the Michelin Guide reader would be better served if it reverted to its original remit, to be a "simple book to help people get around".

Isn't it time for a complete overhaul of the system, for a recognition that culinary stars, like so many trappings of the 1970s and 1980s, are no longer valid?

A restaurateur who had held, lost and then regained his Michelin star agreed. Michelin provided 1.3 per cent of his business, regular clients 50 per cent. His recommendation to any aspiring restaurateur is to forget the glory and go for the regulars.

Yours sincerely,
Nicholas Lander

A place to mature

Not long ago the fine wine debate centred on who, in an inflationary era, would pay the costs of maturing the wine. Answer: the consumer. Now it centres on how, in a period of recession and of commercial uncertainty, the majority of fine wine consumers who store their wine can be sure they will eventually be reunited with it.

Anyone who wants to be certain of the pleasure of drinking great wine at its best, perhaps 20 years after it was made, has to buy it young and find somewhere suitably cool, dark, still and secure in which to keep it.

This usually means buying and storing it through a retail wine merchant. But what do you do when the merchant goes bust – as happened to Nigel Baring and Hungerford Wine, Berkshire? Unless each case of wine is clearly identified, by name or code with its individual owner, it is generally impossible to establish legal ownership.

The fine wine market is already weakened by the failure of most 1980 vintages to gain sufficiently in value to justify early investment, and by the paucity of exciting vintages since 1990. If merchants cannot guarantee the safety of the stocks they hold for individual consumers, they may see the market disappear.

For an increasing proportion of wine enthusiasts, the complication and uncertainty involved in investing in something as unpredictable as wine is just too much. As the quality and early drinkability of basic-to-medium calibre wine has increased markedly, so the incentives to invest in wine that, conventionally, has been considered "fine" – ie ageworthy – diminish.

Yet great wine at its best is incomparable in its potential effect on consumers and is what inspires most producers to keep on raising standards. Efforts made, by top producers in Bordeaux and the Rhône particularly, to make even long-term wines taste good on the way to maturity, are admirable. But wine demands time and steady low-temperature storage; two increasingly precious commodities.

***Jancis Robinson** on how to keep fine wine safe for years to come*

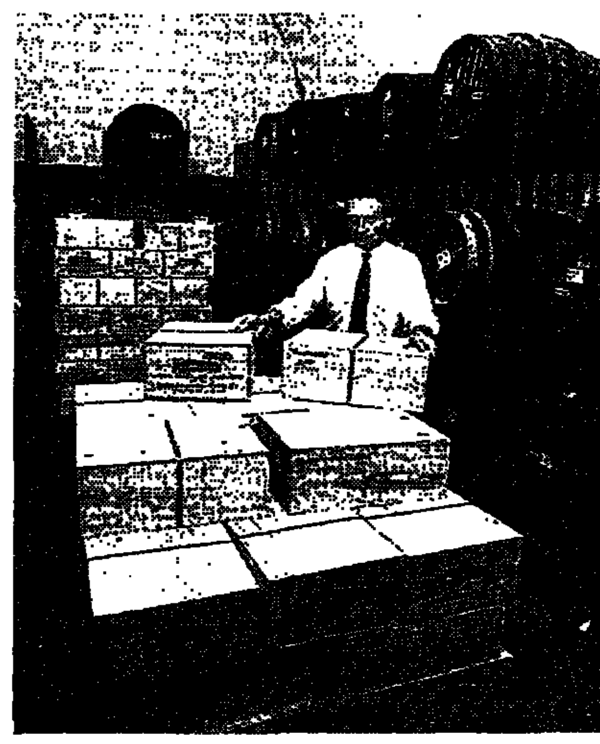
The world's greatest quantity of fine wine held in store for individual consumers is in Britain. It is therefore vital that British merchants and wine storage specialists put their warehouses in order so that confidence in fine wine storage can be re-established.

Many merchants offer to store wine for their customers for a few pounds a year per case. Few have their own warehousing, although exceptions include: Averys of Bristol, which charges £5.25 per case per year to store wine in its Georgian warehouse; Justerini & Brooks, part of Grand Met; Berry Bros & Rudd, sister to Cutty Sark whisky; and the Wine Society of Stevenage, a non-profit co-operative and probably the safest bet.

Most other merchants use one of the storage specialists, such as Trapps Cellars and Octavian. They can offer suitably dark, dank caverns full of wine, respectively beneath London Bridge station and in an old munitions dump in Corsham, Wiltshire.

Octavian charges individual consumers, who represent about five per cent of its business, £7.50 a case per year for lots of up to 30 cases; the rate falling to £5.25 for more than 100 cases. Octavian charges its wine merchant customers £4.75 a case per year – to which the merchants add supplements for administration before calculating storage charges to customers.

Octavian has launched a scheme designed to calm individuals' fears about the security of their bottles. Each case within a merchant's stock is labelled with the name of its individual owner. Each individual customer of that merchant has his or her own stack of wine within the merchant's own area. Corsham has 1m sq ft to play with. This scheme, called Protection Plus, is free until the end of March, and will then be offered at 80p a case handling charge.



Trevor Humphries

Edward Sullivan at work in Trapps Cellars under London Bridge

Trapps, more geared to trade than private customers, maintains that its system of allotting each case an individual code effectively replicates this, but its efficacy depends on the quality of each merchant's bookkeeping, and it is presumably the least financially secure merchants who are most likely to skimp on this.

Bibendum, of London NW1, has already invested considerable time, and £15,000 in software, in devising its own system. Each case is labelled and each of its customers is sent an individual stock list at regular intervals which it claims is physically checked with cases at Corsham.

When asked whether he considered his system superior to others in the wine trade, Bibendum's managing director Tom Heywood-Lonsdale said: "We shouldn't be competitive in this area. *All* wine merchants should have exactly the same, high standards."

□□□

The Bunch, a group of seven high-profile independent wine merchants (Adnams, John Armit, Corney & Barrow, Lay & Wheeler, Laytons, Tanner and Yapp) has drawn up a code of practice for wine storage which, for duty-paid stocks at least, is very similar to the Octavian scheme, but without the luxury of stacks for individual customers.

Security of stocks held in bond is more complicated, and Graham Chidgey, of Laytons, admits that it will be some time before an agreement can be reached on stocks of wine held abroad, as many young Bordeaux wines are, for example.

There should be one system which operates throughout the fine wine trade which, surely, an effective trade organisation would have devised long ago. It will be messy and inconvenient to put it in place, but it is in everyone's interest to do so, even at this late stage. Now, while there is so little activity in the *en primeur* market for wine futures, there is simply no excuse not to.

Appetisers

Wine at Waddesdon

Britain is to have a new centre for wine appreciation, in the cellars of an extraordinary monument to connoisseurship, Waddesdon Manor, near Aylesbury, Buckinghamshire.

This grand Victorian country house, constructed by Baron Ferdinand de Rothschild in the style of a 16th century Loire château, will be open to the public from the beginning of April, after four years of meticulous renovation by Jacob, the fourth Lord Rothschild.

Well aware of the fascination of Victorian kitchens for the British public (vide Brighton Pavilion, Castle Drogo and countless television programmes), Lord Rothschild and his team have transformed Waddesdon's substantial below-stairs area into an example of a "gentleman's working cellar" – a neat example of lateral, or rather vertical, thinking.

As an acknowledgement of the importance of wine to various branches of the family, the cellars will hold thousands of bottles of the Rothschild first growths, Châteaux Lafite and Mouton, many of them from the last century. There will be a shop selling young vintages of these wines and their less aristocratic relations (now produced as far afield as Chile and California), and there are plans to host wine-related exhibitions and special wine tastings, both in the cellars and in the Dairy, a construction in Waddesdon's grounds which has more in common with Marie-Antoinette and Versailles than with anything as prosaic as a cow.

More details from Ben Howkins on 071-493 8111.

Jancis Robinson.

■ Pierre Androuet's *Guide to Cheeses* (revised edition, Aidan Ellis, £9.99, 551 pages) has always been an essential for those seriously interested in cheese. It also has drawbacks: the translation is stiff; Androuet is on uncertain ground when it comes to foreign cheeses and the style is often comically magisterial and Gallic. Androuet is nonetheless wonderfully sound on the important issues: pasteurisation and the role of pasture in taste and, of course, the seasons; the pleasures of which are being progressively nullified by pasteurisation.

Giles MacDonogh.

HOW TO SPEND IT

You simply must discover the right niche

Mail-order catalogues are no longer needed just for bringing boring essentials into your home – these days even the most quirky commodities can be bought by post, says ***Lucia van der Post***

"Inessential shopping is bliss", says the actress Joan Collins in *My Secrets*. I am with her.

What more delightful way to spend the day in central London than with a visit to Joseph and on to Harvey Nichols followed by a snack at Joe's Café and sharing some chit-chat with your best friend?

It is the essential shopping that gets one down. The search for a giant pack of washing-powder, bottles of mineral water ... these are not the stuff of exciting sorties. It is for purchases such as these that mail-order was tailor-made.

But the truly surprising thing is that mail-order is no longer used just for bringing most of life's more boring essentials to the door – these days even life's most inessential quirky commodities can be bought by post.

Almost every month brings yet another catalogue carefully aimed at some newly-identified slice of the market. These are known as niche catalogues and whether you are looking for an exclusive fishing rod, some vintage clothing or a fine string of pearls, someone, somewhere will bring it to you.


Racing Green's rugby shirt and shorts


Nostalgia rules at Sam Walker


The linen look from Myko

Newest of them is Sam Walker. Those who are familiar with the shop at 41 Neal Street, Covent Garden, will know it as a purveyor of highly desirable vintage clothing. There are summer linen jackets to conjure up summer days on the village green, Chesterfield coats that Noel Coward might have worn, snap-brimmed felt hats straight from *Brief Encounter*.

As the vogue for vintage clothing grew, somehow Sam Walker seemed able to keep tabs on sources and now he has launched a mail order service which offers a combination of old clothing – reconditioned, of course – and some special Sam Walker brands that are made today in the mood and style of times gone by.

The catalogue looks as if has been found in some dusty, pre-war attic. The graphic style is almost pure Boys' Own. There are plus-fours straight from a 1920s golf course (from £25), tweed and corduroy jackets (£49), four-quarter tweed caps (£25) and slightly caddish striped linen summer blazers (£195).

Sam Walker's own branded shoes, all in impeccably nostalgic mood, range from Wingtip Brogues (£65) to Chukka Boots (£75) and cricket shoes (£65).

An authentic all-purpose Gloverall duffle coat – remember Jack Hawkins in *The Cruel Sea?* – in navy, tan, bottle green, black or cranberry red ranges from £109 to £125, depending on size. There is also a range of Aero leatherwear – Charles Lindbergh-style, Long-shoreman and cyclists' jackets and proper jackets.

Nostalgic man, of course, requires nostalgic accessories and Sam Walker provides them – fogeyish waistcoats, pocket watches, wristwatches (in particular there is a sturdily plain and elegant Tali wristwatch based on a 1920s design for £49.95), braces, sunglasses (all based on 1920s, 30s, 40s and 50s styles) and cufflinks.

Telephone 071-240-7800 for a free catalogue.

Racing Green has grown and grown since last I mentioned it. Besides the new store at 193-197 Regent Street, London W1, where all those who like to see their merchandise before they write the cheque can browse, there is a new, expanded catalogue.

Those who had a disappointing experience with Racing Green in its early days might like to know that it was originally overwhelmed by its success and had trouble keeping up with orders.

Now there is a new warehouse and a computerised stock system which seems to function well.

The spring catalogue has been launched (ring 0345-331177 for a free copy) and all the old favourite are there – the button-down poplin shirts (£27), the city top (£19) in lots of new colours, cotton twill shorts for men and women (£25) and in good safari colours for Africa lovers, the T-shirts (£11) in masses of colours.

There is a lot that is new, too – a simple summer cotton dress in mole, burnt orange or china blue as well as chambray (£35), a blue and white checked or striped jean shirt for men (£35), a soft linen trouser suit for women (£99 for the blazer, £49 for the trousers) and some good cotton rib basics that could double as underwear or outerwear.

Myko is a new name to mail order and it seems to have defined as its niche the minimalist, pared-down look. Beautifully photographed with a slim, carefully-edited selection of what it calls "body basics" it could be the answer to clothing needs of the health club, gym, fitness addict, as well as those who just like lounging around in comfort. It is designed, too, to appeal to the minimalist travellers.

Those whose natural instincts lead them more to the baroque school of travelling may find it a little too pared-down for their more fulsome needs but they are easy to pack and being of a limited colour palette (mainly cream, white or black) everything will work with everything else, making up a small capsule wardrobe.

There is a linen collection of palazzo pants (£34.99), puff-sleeve body (£24.99), micro-shorts (£14.99) and sleeveless vest (£14.99). Then there is a linen tube dress (not easy to wear unless you are young, slim and beautiful but then that is presumably the point of all that gym-going) and a collection of micro-shorts and leggings, fitness bras and leotards for the the fitness enthusiast.

Prices are extremely good – there is nothing more than £39.99 (ring 0764-679479 for a copy of the catalogue).

Many of you will be familiar with Brooks Brothers clothing. Much of it is loved the world over but certain items have a cult following and those whose sartorial identity is dependent on them cannot always rely on getting to America often enough to satisfy their needs.

Smart Italian bankers in London, for instance, who feel inadequately dressed unless they are sporting soft Supima button-down shirts or, off-duty, pure cashmere cardigans and twill sports shirts – often pinched by their girlfriends – have discovered the ease with which they can shop for these essentials by mail. Simply ring (908) 225-4860 between 8.30am and 4.30pm (New York time) or fax (908) 225-1520 for a free copy of the catalogue.

The company will deliver almost anywhere in the world and the prices are listed clearly and concisely. But, for the fisherman's hat in beige, trimmed with a fine blue and Bordeaux stripe, which the same Italian bankers consider *de rigueur* for weekending in Chelsea – baseball caps are totally *demodé* – only a visit to the US will do.

Good to know some things still reward a little effort.

Minimalism in the bath-tub

Lucia van der Post *taps into the latest in bathroom design and fashion*

"Home in Three Days. Don't Wash."

These were Napoleon's orders to Josephine as he sent her a message that he was on his way back from the front. In his time, it seems, a taste for women *au naturel* was not at all unusual.

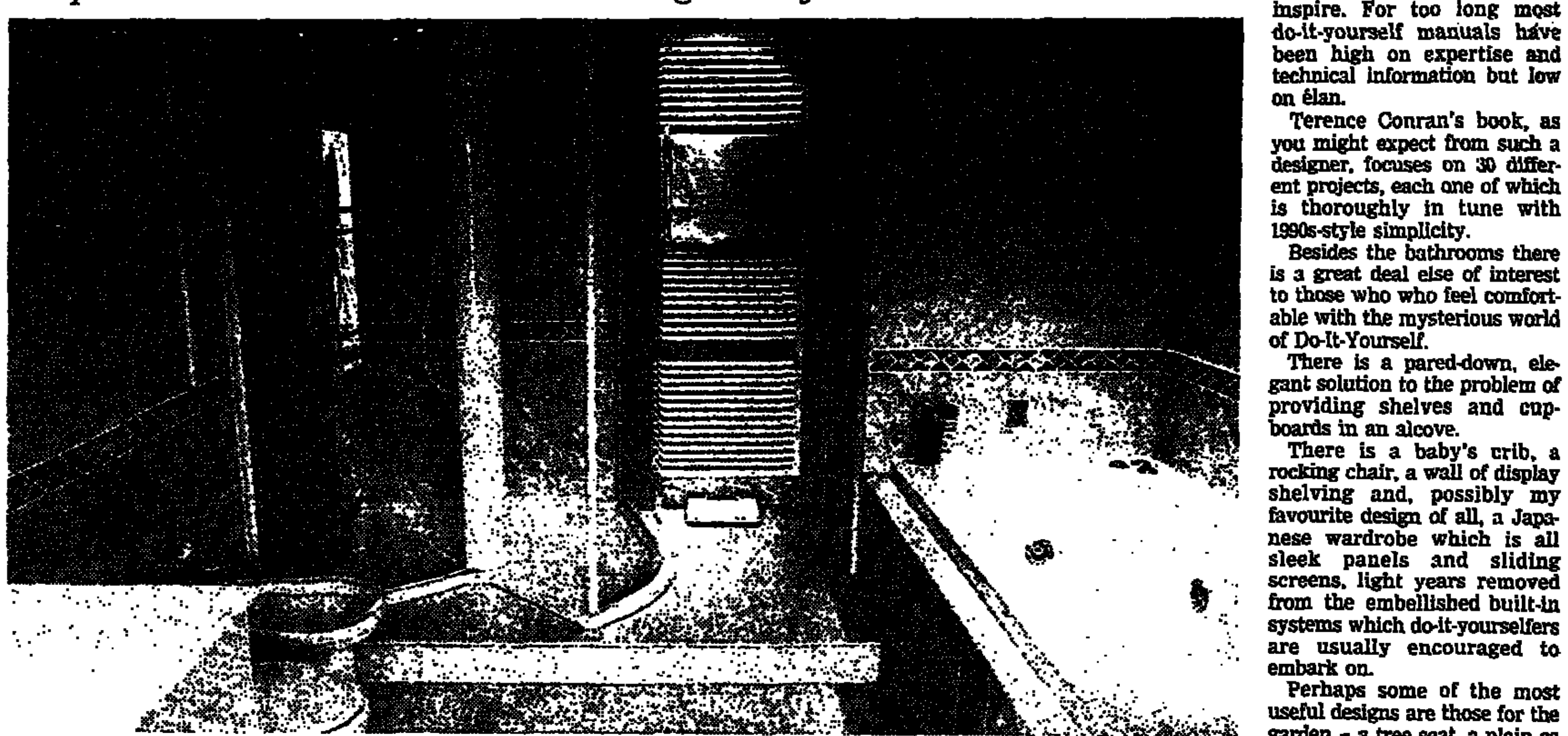
Today the fashion for the daily bath, for cleanliness and the banishing of body odours permeates our culture.

There is scarcely a western house without at least one bathroom and in prosperous circles two, three and four are not uncommon. Those of a reflective cast of mind are inclined to invest bathing with mystical significance, seeing it as a domestic version of ancient purifactory rites.

Certainly, it is true that bathing the world over has always been connected with motives other than simple cleanliness.

In these secular times pleasure is the over-riding aim and, for years, modern design reflected this.

Just as minimalism and a sense of simple quality has taken over in other rooms of the house, so it has begun to reach the bathroom. Take the one photographed here (top).


Lydia van der Meer

A sleek solution for a bachelor's bathroom

Designed for a successful city banker – a bachelor – the brief to Simply Bathrooms, which created the room for him, was for comfort, quality and simplicity. The owner wanted the maximum luxury and the best quality shower, bath and fittings. He also wanted the overall look to be as simple and stark as possible. He wanted the tranquility of a Japanese bathhouse without a frill or a hint of excess.

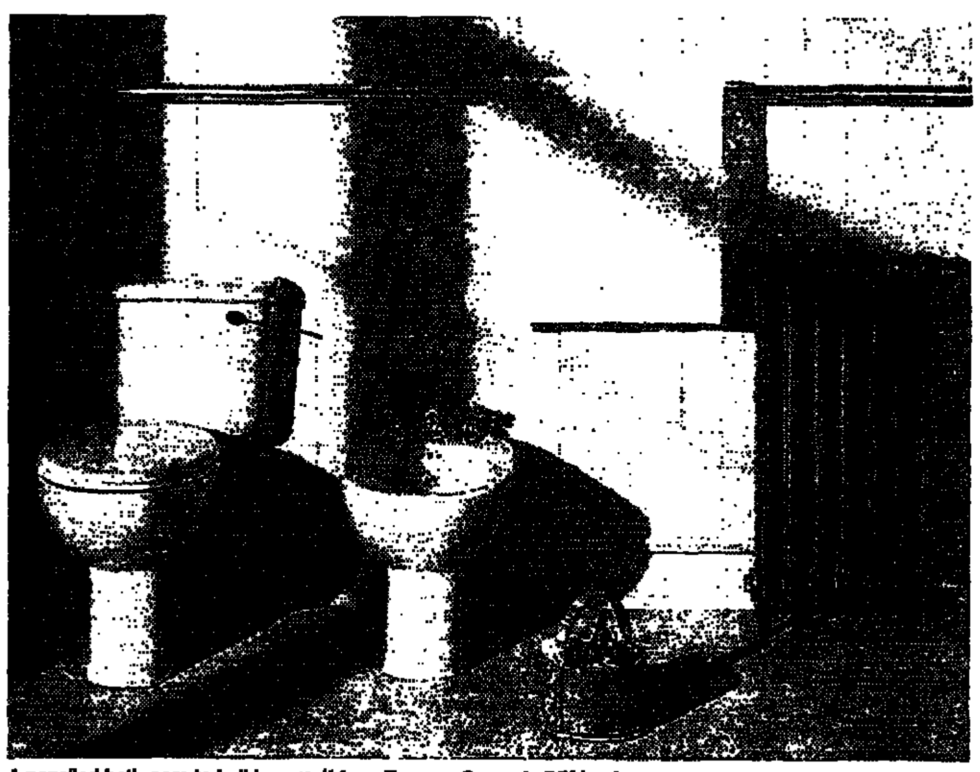
The heart of the bathroom, and the reason for its owner's intense satisfaction, depends on the quality of the fittings. He wanted a shower and Simply Bathrooms selected Showerlux, a German make, because, although many showers would meet his technical requirements, that one also met his visual needs.

The cubicle is made of curved glass which is elegant and much less visually intrusive than any others

It arrives as a complete unit (a central upright pole which houses the controls is integrated into the glass) which means there is very little for even the most ham-fisted plumber to screw up. Its disadvantage is that being free-standing it does need quite a lot of space. There is an even more beautiful and luxurious model – which requires yet more space – which looks like a stunning transparent snail.

The bath is high-quality acrylic, as plain as could be, with a built-in whirlpool to enable its owner to relax in the city. The total cost of equipment and installation came out at just under £10,000.

Anyone who has had a go at transforming or installing a bathroom will know that one of the big difficulties is that at the top end of the market in specialist products for the bathroom, 10 different suppliers might be involved – with possible long waits for delivery men who turn up just when you have given up on them and gone out.


A panelled bathroom to build yourself from Terence Conran's DIY book

Patrick Riley, managing director of Simply Bathrooms, decided that one of the keys to running a successful bathroom business had to be in providing better service.

He, therefore, set about developing a system to co-ordinate deliveries so that every component would arrive on the same day. Some 70 per cent of the equipment he sells he keeps in stock, the rest has to be ordered. He delivers it all together.

The bathroom photographed here, for instance, was installed in a week, resulting in minimal disruption to the owner's domestic life.

Anyone interested in the service can ring 081-665-0066 for a brochure (which is filled with information, planning aids, design suggestions, points to look out for) or visit the showrooms at 28 Rushgrove Avenue, Colindale, London, NW9 6QS or 2 Bensham Lane, Croydon, Surrey.

For those who are brave enough to think of renovating or building a bathroom from scratch themselves, Terence Conran's *Do-It-Yourself* book (Conran Octopus, £14.99, 254 pages) has two suitably pared-down bathroom projects which are described in detail.

The one photographed (left) is a light, panelled room which uses painted tongue-and-groove pine boarding to hide the pipework.

Besides being visually appealing the tongue-and-groove boarding may be mounted on a batten frame to create an access panel which can be easily removed if (as they surely will) plumbing problems arise.

The whole effect is redolent of cool, New England chic.

The second bathroom which might be useful to those looking for inspiration is a clean-lined tiled bath shower and basin unit. The result looks sleek, restfully uncluttered and easy to clean.

Here at last are designs to inspire. For too long most do-it-yourself manuals have been high on expertise and technical information but low on élan.

Terence Conran's book, as you might expect from such a designer, focuses on 30 different projects, each one of which is thoroughly in tune with 1990s-style simplicity.

Besides the bathrooms there is a great deal else of interest to those who who feel comfortable with the mysterious world of Do-It-Yourself.

There is a pared-down, elegant solution to the problem of providing shelves and cupboards in an alcove.

There is a baby's crib, a rocking chair, a wall of display shelving and, possibly my favourite design of all, a Japanese wardrobe which is all sleek panels and sliding screens, light years removed from the embellished built-in systems which do-it-yourselfers are usually encouraged to embark on.

Perhaps some of the most useful designs are those for the garden – a tree seat, a plain as plain garden bench, a walk-through pergola and, most ambitious of all, a summer house.

I have no ambitions in the DIY area myself so am unable to judge how easy the instructions are to follow but there are intricate-looking drawings, comprehensive lists of the materials and tools required and the quality of the photography and drawings make even me think that maybe one day I too might just have a go with the Black & Decker.

FASHION

Haute couture – the editors have their say

*Are designer clothes worth the expense? As the spring shows are unveiled, **Avril Groom** seeks the commentators' views on the industry*

The press has been writing off couture for the past decade, declaring its style and prices irrelevant to modern life. Last week this gilded-salon industry had a chance to prove it still has a role when it unveiled its spring shows.

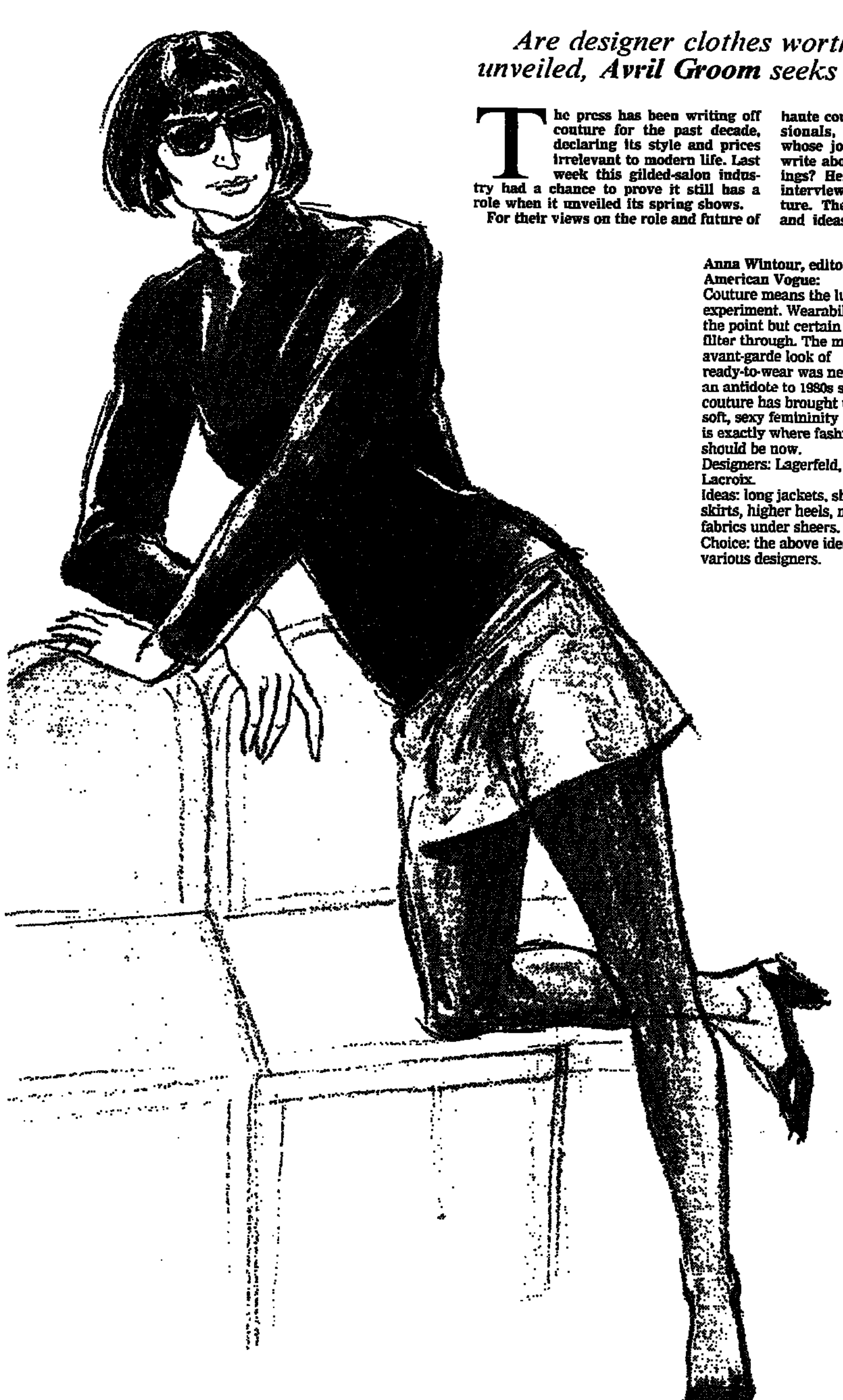
For their views on the role and future of haute couture, I asked the fashion professionals, the top international editors whose job it is to look, assess and and write about the designers and their offerings? Here a small group of editors is interviewed on the role and future of couture. They were asked which designers and ideas are important, and which are their personal favourites.

Most, as you can see from the sketches below, prefer to wear black clothes, at least during the day. And they all agree that the benefits of dressing well more than justify the cost.

Artist: Margaret Keedy
Photographer: Nial McInerney

Decent exposure at Chanel

Heavy metal dungarees by Versace



Anna Wintour, editor, American Vogue:
Couture means the luxury to experiment. Wearability is not the point but certain ideas filter through. The monastic, avant-garde look of ready-to-wear was needed as an antidote to 1980s style but couture has brought us this soft, sexy femininity which is exactly where fashion should be now.
Designers: Lagerfeld, Versace, Lacroix.
Ideas: long jackets, short soft skirts, higher heels, metallic fabrics under sheers.
Choice: the above ideas, from various designers.

Ballets Russes revisited by Ungaro

Lacroix's military midriff

Andrea Manet von Scheidlin, Paris editor, Textil-Wirtschaft:
Paris is a sorcerer's kettle for fabric research. Shows and publicity are essential to help designers sign lucrative licensing deals. Advertising would cost far more. Designers: Lagerfeld, for innovative fabrics and ideas, St Laurent for real clothes. Ideas: pastels and metallics, asymmetric transparency, the lingerie look. Choice: I am neither slim nor young, so Givenchy – wearable and perfectly cut.

Janie Samet, fashion editor, Le Figaro:
Couture is about research and imagination, not commercial trends. If it looks like ready-to-wear it is against the spirit. Couture should be good for the morale. Jacques Lang, the French minister of culture, wants to protect couture as a unique craft métier.
Designers: Chanel's clothes for modern women, Ungaro's fabrics and Lacroix's fantasy.
Ideas: pastels, white and the move away from grunge.
Choice: St Laurent's and Balmain's tailoring and I am fascinated by Ungaro.

Jackie Modlinger, fashion director, Daily Express:
Couture represents the past and a dying lifestyle. Trends come from ready-to-wear but media demand for the fantasy created by couture shows is insatiable and the houses need the publicity. Accessory ideas from shows often take off.
Designers: Lacroix, Versace, Chanel. Idea: Directoire dresses, short skirts, high heels, lacy or silver tights.
Choice: a St Laurent "smoking", a Lacroix black lace dress and a Dior frockcoat.

Alexandra Shulman, editor, British Vogue:
Designers develop technically and without restraint in couture which is where ideas germinate. But it is having to change and there is now a blurring with top ready-to-wear. Versace's couture can be ordered through some of his shops.
Designers: Versace's modernity, Valentino's influential wearability. Ideas: softer tailoring, layers, short skirts, metallics. Choice: a very simple day-suit from one of a number of designers.

Suzy Menkes, fashion editor, International Herald Tribune:
For a great designer couture is not just a private fantasy but expresses the artistic soul in a way impossible for ready-to-wear because of the tremendous craftsmanship involved. Most exciting fabric innovations start in couture.
Designers: Lacroix – very strong, the intricate work almost magical. Chanel – Lagerfeld goes back to suits and clever cocktail frocks that clients love. Valentino – wonderful lightness of hand.
Ideas: a wave of prettiness.
Choice: I do not view fashion personally.

Franca Sozzani, editor, Italian Vogue:
Couture gives a designer the freedom to use his imagination, to reveal his dream in the form of a show.
Designers: Lacroix is witty and unexpected, Lagerfeld is a huge influence and Versace is making couture modern.
Ideas: pastels and pleats.
Choice: the new romantic femininity but an individual mix from different designers.

Bernardine Morris, chief fashion critic, New York Times.
Cardin's solution to the future is to show once a year as business is so global he has to cover two seasons at once. That would cut the costs but also the publicity, and ideas from designers such as Versace end up in the high street very fast. For others, such as Ungaro, couture is for fabric research. Designers: Versace – impressive and modern, Chanel – wearable suits for real life, Lacroix – marvellous craftsmanship. Choice: Wear any of it – no!

HOW TO SURVIVE AS A COUTURIER

1 **Set or confirm trends.** This spring, these are:
a) short fluid skirts under long fluid jackets, in pale tweed (Chanel) or pale crepe and lace (Valentino).
b) short, metallic and modern (Versace).
c) short, elaborate and historic (Lacroix).
d) tiny, short jackets with very wide trousers (Chanel, Lacroix, Dior).
e) chiffon for evening: short layers (Chanel), long layers (Ungaro), high waists (Lacroix).
f) new tights – black lace, silver metallic or glossy sheer.

2 **Achieve wonderful, wearable tailoring** (St Laurent, Dior, Givenchy, Balmain).

3 **Make very grand but not extreme evening gowns** (St Laurent, Balmain, Ricci).

4 As white is THE colour, use **masses of white or cream evening dresses which could also be wedding gowns, the couturier's lifeline** (all designers).

5 **Add some Eastern promise** gold-beaded chiffon tunics and pants, particularly for the Arab and Asian markets (Scherrer, Ungaro).

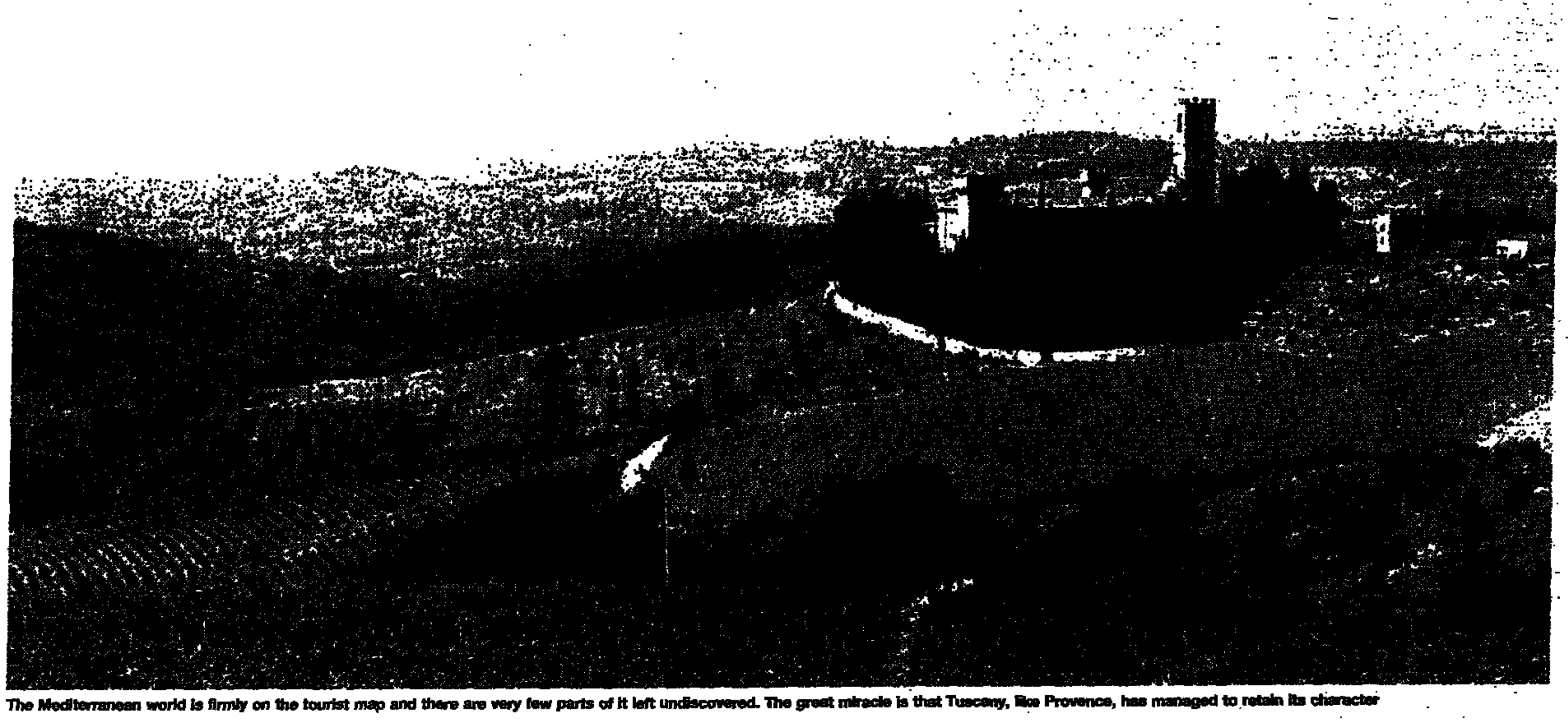
6 **Grab the headlines,** with:
a) strategic transparency (Chanel, Scherrer, Ricci).
b) a controversy – Chanel's surreal feather helmets which obscured both supermodel faces and some good clothes, or Lacroix putting Directoire-inspired dresses on a suedehead model.

7 **Launch a potentially lucrative perfume this season** (Scherrer, Dior, Ungaro).

TRAVEL

The Anglo barbarians are at the gates

Nicholas Woodsworth considers the advantages of a Fortress Tuscany policy



The Mediterranean world is firmly on the tourist map and there are very few parts of it left undiscovered. The great miracle is that Tuscany, like Provence, has managed to retain its character

SOMEWHERE in Provence. What a secretive, timorous *dateline that is. But frankly,* a little secretiveness these days is not amiss for, since Peter Mayle popularised this part of the world, I have been receiving barely veiled threats of bodily harm.

None of my expatriate neighbours *here wants to read another word* about Provence. They are fed up with travel pieces about the Luberon hills, ruined stone farmhouses, goat cheese and olive oil, peasants with gold teeth and berets, picnics in lavender fields, etc. They complain that *A Year in Provence* is superficial and over-romantic.

The real source of their irritation, I suspect, is that Mayle has wounded their self-esteem: thanks *to the book's popularity,* British expatriates in Provence have now become social and literary clichés in their own right. Worse, in bringing down thousands of curious visitors from Birmingham, Watford and Ipswich (some of whom – horrors – *may buy a house), Mayle has turned* the British expat, once a rare creature, into a common or garden variety just one step above the British summertime hoi-polloi.

At any rate, it has been hinted that I move on and write about *somewhere else. There is only one* other place I can think of that has the same sunny and sensuous Mediterranean beauty, the same hardy peasant culture, the same farmhouse-and-goat-cheese appeal to refugee Britons with disposable incomes. *What is more, no one has* yet written *A Year in Tuscany.*

☐ *Florence.* Good Heavens. And I thought the Luberon hills crowded in summer. Here the tourist season *goes on all year and there is barely* room to swing a guidebook. It took me an *hour-and-a-half of tramping* around the city last night just to find a hotel with a room free.

At dinner I was squeezed on to a shared table opposite a large party of *Florentines. How vain and* self-absorbed they were in their designer glasses, their jackets thrown around their shoulders. They pranced and preened and pouted and tossed their perfect locks, and that was just the men. I had thought the French went to great lengths to appear sophisticated. The Italians make them look like potato diggers.

But is this really a city of culture? *There is something unhealthy* about the relationship between the purveyors of historical culture and its consumers. Many fine and noble things remain, no doubt, from one *of civilisation's great ages. But I* question their mass-marketing for the delectation of modern barbarian hordes.

I am not comfortable in places *where large numbers of individuals* tour the streets with video lenses *screwed permanently into their eye* sockets. My enthusiasm for art wavers when its prerequisite is a two-hour queue outside the Uffizi. Great masterpieces are a dime a *dozen in this city, but try finding a* parking space. When it comes to culture in Florence, I am afraid I must be counted a philistine.

☐ *The Crete.* I am not the first person to have discovered the glories of rural Tuscany, but I feel like it. Suddenly I understand why Tuscany is such a serious rival to Provence for British affections.

The Crete, the pale, undulating, chalk hill-country that begins south *of Siena, is the most sensuous* I have ever passed through. This is a landscape which, particularly after the summer harvest, is like bare human skin. It is smooth and rounded and dipping. *The feeling of* nakedness is enhanced by the huge, empty sky.

The Crete is also dramatic, its elements of landscape so frugally allocated *on this great* and nearly empty sweep of land that the whole is reduced to the elemental. Here, a single line of dark cypresses dominates the crest of a barren hill. There, a solid, four-square farmhouse of soft ochre colour stands *silhouetted against a dark sky. This* is an idealised landscape, so striking that it feels more like an archetypal model than a real and every-day thing.

☐ *Montalcino.* There is something of the model, too, about Montalcino. *It is the quintessential Tuscan hill* town, a collection of sturdy 16th century stone houses, piazzas, flagged streets, churches and a medieval castle all held within *thick walls on the summit of a* narrow ridge. The views of the Crete from almost anywhere in the town are superb. Once the poorest town in the region, it is now one of the *richest, thanks to the Brunello vine*yards that surround it.

I took a room in one of the town's two hotels. It was surprisingly difficult to find accommodation in even the most frequently visited Tuscan towns. Unlike Provence, Tuscany is *not geared up for large numbers of* tourists. And unlike Provençal villages, which can become ghost towns when people close up holiday homes and move back to London, *Paris or Geneva,* Tuscan villages seem to remain active, working *places.* Schoolchildren, bakers, grannies and other real-life characters can still be found there.

Montalcino was my *base for forays to* other hill towns. My favourites? One was Pienza, conceived as a utopian "new town" and planned down to the last detail. It does not bear much resemblance to Milton Keynes or other *British new towns, though;* built by Pope Pius II in the 1450s, it is so medievally pretty that it was used *for the filming of Romeo and Juliet.*

The other is Montepulciano, a *scale-model renaissance city, an ele*gant, palazzi-strewn mini-Florence built in the hills. In Provence, hill towns were built by peasants and local war-lords; in Tuscany, popes, *kings and renaissance architects* had other ways of building.

Just as pleasurable, though, was a visit to the Montalcino barbershop. Awaiting my turn to climb into one of its old-fashioned swivel chairs, I could not decide which was more *interesting: watching the flow* of evening strollers on the Via Matteotti outside, or looking at the photos in *Oggi* magazine. In peering into private lives, the Italian *paparazzi,* I would say, still have the edge over the British tabloids – just.

☐ *Sant'Antimo.* Enough *Oggi.* I am feeling clean and uplifted. This Sunday morning I visited a Cistercian abbey. Not only did I stroll the olive groves and cypress *lanes that sur*round this austere and lovely Romanesque building, I attended a mass. The sun slanted in through tall arched windows, aromatic *smoke from the censor billowed,* and from the throats of four white-robed monks came the heavenly hymns and harmonies of Gregorian chant. I think I could take to the *monastic life.*

But good clean living builds an *appetite. After mass I zipped over to* the walled village of Sant'Angelo in Colle, locally reknowned for its restaurant, Il Pozzo. What should I discover inside, though, but the dining room *taken over by a coach-load of* cheery Cheshiremen collectively known as the Winnington Wine Club, on their 13th annual outing to a far-flung, winey destination. And how did they find the local plonk? Jolly good vino, they said. I sloped off to find lunch elsewhere.

☐ *Somewhere in Tuscany.* There is no getting around it: the coach-loads in Tuscany very much resemble the coach-loads in Provence. *The Mediterranean world is firmly* on the tourist map and there are very few parts of it left undiscovered. The great miracle is that Tuscany, like Provence, has managed to retain its character. The Winnington Wine Club, bless their souls, can do their worst.

Nonetheless, the local expat community can get rather *shirty about* intrusions on to their territory. When you pay a fortune for a ruined farmhouse you expect exclusiveness. If I have resorted to a cowardly *and imprecise dateline, once* again, it is because I have received threats, once again.

Yesterday, I visited an English family who, in real life, have rather responsible jobs in London. Their retreat is in the least developed portion *of Tuscany,* the green, forested hills that lie between the Crete and *the Tuscan coast. Here in an iso*lated 16th century hill-top fortress they live like medieval nobility ready for a siege.

"You're not going to Peter Mayle us!" said the *mother in dismay,* distracted from overseeing the family olive grove, wheatfield and sheep herd.

"People should know that there is malaria here," said the daughter, taking a moment off from hand-pressing the grape harvest.

"And wolves," growled the father, gazing beadily out over the battlements. "Wolves that eat tourists."

If they were exaggerating slightly, I do not know that I can blame them. Summer visitors are one thing. But what is the point of having a Tuscan fortress if all London buys Tuscan fortresses?

Already, Chiantishire to the north has fallen to Anglo barbarians. Florence crumbled long ago. *Far to the* west, the Luberon is besieged. The more remote parts of Tuscany and Provence are holding out, but for how long?

The situation is grave, the future threatening. But I think I may have learned a thing or two in Tuscany. If anyone knows of a walled Provençal fortress for sale, would they please get in touch?

■ *Both Tuscany and Provence are less crowded in spring and autumn, when good weather can make them a delight. Many small companies specialise in home rentals and self-catering in both areas. A list of some of the better ones can be had from the Association of Independent Tour Operators, 133a St Margaret's Road, Twickenham, Middlesex, TW1 1RG. Tel: 081-744-9280. Information on Tuscany can be obtained from the Italian Tourist Board, No 1 Princes St, London W1R 8AY. Tel: 071-408-1254.*

TRAVEL

Australia's bush supermarket

Michael Woods braves crocodiles and snakes to go hunting with the Tiwi people of Melville and Bathurst islands, near Darwin

Thigh-deep in sea water, Harry struggled to hold his spear, which bucked in his hands. Tracy heard him call and sprinted back to help, sand spurting as he pounded along the beach.

Splashing into the sea, he plunged his three-pronged spear into the underwater object and together, avoiding its flailing tail, the two Aboriginals lifted the heavy, flapping stingray clear of the surface and carried it to the beach where Harry disarmed it.

A graceful ripple ran round both sides of its flattened, kite-shaped body. A second followed and then the fish lay still. It was left to collect when we returned with a sack of grey-green mud crabs, each with its claws unceremoniously torn off to stop it grabbing an unwary hand. This was good bush tucker – wild food – for these Aboriginals, who have little regard for the final moments of their quarry.

Harry and Tracy are Tiwi people who live on Bathurst and Melville, neighbouring islands no more than 30 minutes by light aircraft to the north of Darwin, in Australia's Northern Territory. Melville is the second largest island off the Australian coast.

The Tiwis differ considerably from mainland Aboriginals, lacking their shyness but also their didgeridoos and boomerangs. I spent a day learning about their culture when I visited Nguiu, one of three main Tiwi settlements.

The Tiwis have embraced Roman Catholicism only to the extent to which it suits them. Their graves are surrounded by decorated totem poles, simply carved and painted with patterns – spots, lines and dashes – in the traditional red, white, ochre and black of Australian Aboriginal art.

To the disappointment of many visitors, few of the carved shapes and painted patterns have any significance beyond a few simple details such as the sex of the deceased. Most owe their shape and colours to the whim of the carver and painter; the number of totems around the grave is an indication of the status of the departed.

Michael, another Aboriginal, has lived on Bathurst Island for five years and is now considered sufficiently part of the community to be asked to decorate a pole for a burial. The Tiwis hedge their bets these days and have a mass as well as a tribal burial ceremony. In addition to the collection of totem poles, a white cross adorns each grave.

After a morning visiting church and museum, adult education centre and screen printing works, we crossed the milky channel to Melville Island. Michael drove me through an open forest of tall gums whose feathery foliage cast little shade on the bright green ferny heads of primitive cycads growing beneath. We were heading for Taracumbie Falls and lunch.

Later in the afternoon I flew to Garden Point, on the northernmost tip of Melville, where I stayed in the closest thing to a safari camp I have found outside Africa. While the surrounding bush may be benign, any thoughts of a romantic stroll along a tropical beach at night were quickly banished for fear of attack by salties – northern Australia's dreaded giant saltwater crocodiles.

I was lulled to sleep by waves lapping the beach and woken before sunrise by the vintage car-horn *parp-parp* calls of red-tailed cockatoos. I walked along both the beach and the sandy access track before breakfast. The latter was full of stories of the night. A dingo had come through the camp; lizards and small mammals had hopped, skipped and trotted across the road; in two places, sand swept into delicate swerves and curls and thrown into relief by the low sun told where snakes had woven their way across. How I yearned for an interpreter to read the signs for me.

Our Tiwi guides turned up after breakfast, knowing just what bush tucker we'd be going after that day. While the ladies took half the group to collect mussels in the mud, Tracy led a few of us foraging for meat in the bush. Armed with a felling axe, a box of matches, a mirror and plenty of water, we set off through the trees into areas previously burned by the Tiwis. Like all Aboriginals, they use fire as a tool.

It is estimated that 95 per cent of the Northern Territory is burned every year.

They have been firing the woods for so long – many thousands of years – that the trees seem able to cope. Some grow special bark for protection, but only as high as they need to; others *require* fire to germinate their seeds.

The bush is fired so often that there is no build-up of dead matter on the ground and fires burn coolly and gently. Only when they catch a fallen log do they smoulder for days, until a line of grey ash is all that remains.

Tracy used the mirror to direct the light of the sun into hollow logs to look for animals inside. With the axe he broke into the bottom of a hollow olibud trunk, cutting a hole which he filled with tinder-dry stringy bark. Smoke curled out of several holes above our heads but no possum made a run for it. He set fire to the dead lower branches of a pandannis palm in order to drive out lurking snakes, but without effect. Finally he even felled a hollow trunk, but it was empty. The shelves of the bush supermarket were fresh out of tucker.

Had this been our only source of food we would have gone hungry but, fortunately, the mussel-gatherers were a generous lot and shared their catch with us. They were good – but no match for the crab of the previous day which had had everyone, locals and visitors alike, crouched round the fire picking delicious flesh from pink shells.

■ *Michael Woods flew to Darwin with Qantas (tel: 0345-747 767) and was looked after by the Australian Tourism Commission, which can provide details of this and other tours (081-780 1424 for the free Travellers' Guide; 780 2227 for more detailed inquiries).*

Tiwi Tours, which is half-owned by the Tiwi people, can be contacted via GPO Box 1397, Darwin, Northern Territory, Australia 0801 (tel: 089-815 144).

PROPERTY

Cadogan's Place

Coy sellers frustrate eager buyers

Confidence is the key to greater movement in the housing market. Agents report plenty of buying interest since the year began but potential sellers remain reluctant.

Many are mindful of all the bruises and dashed expectations since 1988/89. But they know, too, that prices could rise if they are prepared to wait.

The government has not helped. Tax increases in two months may well sap confidence, along with the local elections in May and the Euro-elections in June. As a result, the 1994 market might not climb as predicted (although few agents expect more than a 5 to 10 per cent rise, in any case).

The moral is that it could be wise to sell now to take advantage of all those applicants while they are still eager.

■ Vendors and agents in Brittany, France, hope the British will return. They are popular. "They leave the gate open. Parisians shut the gate and put up fences," says Gilles l'Hermitte, an agent in Dinan. But Mercredi Noir in September 1992 was a heavy blow.

British buying peaked in 1989-90, according to recent figures from the Cellule Economique de Bretagne. Now, the Germans are buying, although they are still far fewer than the British. But they go for the more expensive properties, with an average price in 1992 of FFr330,000 compared with FFr160,000 for British purchasers.

Most British (84 per cent over 1988-91) have chosen inland places. In 1992, the Germans began to follow the trend. The most popular department for foreigners is Côtes d'Armor (capital, St-Brieuc) which accounted for 35 per cent of foreign purchases in Brittany in 1992. It was followed by Morbihan (Vannes, 28 per cent), Finistère (Quimper, 22 per cent) and Ille-et-Vilaine (Rennes, 15 per cent). Côtes d'Armor is the new, more Breton name for what used to be Côtes-du-Nord.

In Dinan – an attractive, old, granite-built town which is the gateway to the Breton megalith country – I saw places "to renovate" for FFr10-30,000. Even after rebuilding, such prices should allow plenty of cash for oysters and Muscadet. But, as l'Hermitte cautioned: "It does not work if you bring your problems with you."

An unstressed way to reach Dinan is by Jersey European Airways from Birmingham, Exeter, Gatwick (starting at £115 return), or Manchester – all flights via Jersey – to Dinard, which is near Dinan and across the mouth of the river Rance from St-Malo.

■ The US housing market is picking up fast. Starts in December rose by 6.2 per cent to an annual rate of 1.54m, and building permits rose by 7.4 per cent. In November, "home re-sales" rose by 2.9 per cent, making a seasonally adjusted annual rate of 4.21m.

With mortgage rates (of around 7-7.5 per cent) at a 20-year low, and an improving economy, Americans feel steadily more confident about taking on loans. And, unlike the UK, many homes are on the market.

From London, meanwhile, Cluttons Residential Agency reports the first increase in property prices in New York since 1987 – all of 1 per cent.

■ The Byre, near Dittisham, Dartmouth, illustrated in last week's article, is for sale from Stags, Totnes (0803-865 454).

■ Tolpuddle, Dorset, is renowned for the 1834 Martyrs, the pioneers of the trades union movement who were transported to Australia. The squire must have known them all. Now, his manor house is for sale from Jackson-Stops in Dorchester (0305-262 123). It is a handsome, mid-17th century building and a packhorse bridge crosses the river Piddle, which flows through the garden. Price: £270,000.

■ Publicly quoted agents Savills and John D. Wood have reported good business for April-October 1993. Savills' profit before tax rose to £1.19m from £163,000 and Wood's to £380,000 from a loss of £77,000. Both firms did notably well in London and are optimistic for the second half-year.

■ A real Cadogan's place is for sale at Chalfont St Peter, Buckinghamshire. Horn Hill House is 1850s' Queen Anne-style red brick with 20 acres. Owned by a former Lord Cadogan at the beginning of the century. Hamptons in Beaconsfield (0494-677 744) is asking £750,000.

G.C.

An English Tuscany

Gerald Cadogan finds a touch of old Italy in historic Worcestershire

Flat river bottoms and stumpy hills make Worcestershire an English version of Tuscany as we see it in early Italian paintings. But green is the dominant colour, not white or beige.

Much of that green comes from flooding by the county's rivers. At its core, they have formed a large plain between hills on three sides. Chief among them is the Severn, which starts in neighbouring Wales and flows through Shrewsbury, Worcester and Gloucester to the Bristol Channel. Others include the Teme, the Stour and the Avon (known better at Stratford-upon-Avon, Shakespeare's birthplace). The rivers were the main transport link before the Industrial Revolution brought the railways.

The Malvern Hills bound Worcestershire on the west. To the north-east, the Clent and Lickey Hills separate the county from greater Birmingham. To the east are the Cotswolds.

Birmingham, Cheltenham, Gloucester and Bristol are reached easily on the M5 motorway. For London, though, you must take a route that starts in the wrong direction – north, towards Birmingham. Then it turns east onto the M42 (the Birmingham southern ring road) and south-east to the M40 for a 2½-hour drive to the capital.

Worcester's county cricket ground – among the most beautiful in England – has been flooded often by the Severn. It is just across the bridge from the town centre, ideal for spectators fleeing the office on summer afternoons. If the players flag, they can look to the nearby cathedral for inspiration. The racecourse is also in the water meadows and just as easy to reach.

It is a fertile county and farming thrives, notably fruit and vegetables in the Vale of Evesham. Wool from Wales and the Cotswolds made textiles a big business which survives – just – in a few carpet factories at Kidderminster. Potting, the other traditional speciality, can be seen at the Royal Worcester works.

Worcestershire's many handsome Georgian facades show how all the county's towns prospered in the 18th century. Brick replaced the traditional timber framing, with its black-painted beams which make a bold check pattern against the white lath and plaster infill. But some half-timbering did continue into Victorian times – and the 20th century – as a veneer over the brick.

Bewdley is one such Georgian town, a place of narrow streets and striking houses where Stanley Baldwin, prime minister at the time of Edward VIII's abdication in 1936 and later Earl Baldwin of Bewdley, was born. Quays on the Severn flank a substantial bridge (designed by Thomas Telford) leading to a broad market place where people from both sides of the river could trade.

Late in the 18th century, though, it was eclipsed by the new town of Stourport.

Two grand red brick houses in Bewdley, needing work but both with plenty of potential, are on offer from Andrew Grant. Tickenhill Manor, listed grade II* for its history and Georgian architecture, was Crown property until 1573. Henry VII's eldest son, Prince Arthur, married Catherine of Aragon by proxy at Tickenhill's chapel in 1499. Henry VIII made the house into a place for his daughter, Mary.

In the Civil War, it was a royalist stronghold (as, indeed, the county was generally; Worcester itself was "the faithful city" where Charles II took refuge, before fleeing abroad, after losing the battle of Worcester in 1651).

The house, on high ground above Bewdley with open country behind, has a bow-fronted dining room and panelled drawing room, while the main bedrooms have windows to the floor. Asking price is £310,000.

The other house, Kateshill, for which £290,000 is sought, was on the Tickenhill estate. Originally Hillside House, it was renamed for Catherine of Braganza, wife of Charles II, who liked its views. It has good-sized rooms, cornices galore and a double flight of steps to the front door.

The garden is sombre, dark-leaved Victorian but a fine backdrop for the rhododendrons when in flower. Its glory is a huge Spanish sweet chestnut planted by Sir Henry Sidney, Lord High Admiral of England, to celebrate the birth of a daughter.

Priced at £425,000 is another brick house, Newbury, at Lower Broadheath near Worcester; this village was the birthplace of Sir Edward Elgar, the composer. Agent Stewart White (Knight Frank & Rutley's associate) also offers the brick Manor House at Clifton-upon-Teme, 11 miles from Worcester, for £325,000. In Pershore, Grant has a Georgian brick townhouse, Abbey Place, for £190,000.

A study in black and white ... Tundridge Grange in Worcestershire, on offer for £550,000 with 35 acres and a badminton court

Traditional black and white houses include Tundridge Grange at Suckley, near Malvern: this is a warm and welcoming house in good condition (Grant, £550,000) with 35 acres for horses and a badminton court. Then there is Detton Mill House at Neen Savage, 12 miles from Kidderminster (White, £235,000).

In Bretforton, near Evesham, Jackson-Stops offers the stone Church Cottage for £138,500, and the modern stone and half-timbered Greenacres for £210,000.

Broadway, on the west scarp of the Cotswolds, is one of the tourist haunts of England – a show village where you can browse in antique shops and recover (expensively) in the Lygon Arms, part of the Savoy Group. Its architecture is a harmony of building styles dating back to the 16th century, with houses flanking a long high street descending a hill.

Pond Close Farm, which backs on to nine acres of land, is both Georgian and pre-Georgian. Rural behind and urban in front, it has a superb stone-flagged floor in the hall, while the Cotswold teddy bear museum is across the road. The agent is Butler Sherborn (£485,000). In the centre of Broadway, Jackson-Stops is selling the imposing early-Georgian Picton House, now partly an antiques shop, for £685,000.

■ *Further information: Butler Sherborn, Burford (0993-822 325); Andrew Grant, Worcester (0905-24 477); Jackson-Stops, Chipping Campden (0386-84[illegible] 224); Stewart White, Worcester (0905-723 438).*

Gardening

The seeds of recovery

***Robin Lane Fox** sorts through the fakes and pseudonyms in Britain's nurseries*

Down among the packets, I have just seen evidence which calls the consumer recovery into doubt. Among the sweet pea seeds and cornflowers, you can walk away with a pseudo-wisteria, with flowers of a deeper purple and an odder shape than you have ever seen before. Its leaves are a bit strange, too.

Actually, they are not real but "simulated" and the accompanying leaflet advises you to maintain them with the help of your hair dryer. Pseudo-wisteria is fake from top to bottom. "Made in England" by Pouliot Designs, a market leader, it can be yours for only £155.10 if the station managers of British Rail do not get there first and buy it as part of the Pleasure-from-Platforms programme.

What are consumers supposed to be recovering – their nerve or their senses? Those of us who think they have recovered both already will not be surprised if sales of pseudo-wisteria are falling below projections. For £155.10, you could buy a dozen good plants of the real thing. Or you could buy 120 packets of flower seeds and stock your own garden to maturity by 1996.

Indeed, from now on, you need less of the hair-dryer and more of the seed packet. In steady progression, each weekend from now until the Chelsea flower show is an important time for sowing.

Begin with seeds of your own geraniums: sow indoors immediately. They are vastly cheaper than plants at £2 each in May and they really are not difficult if you can start them in a steady heat of 20°C-22°C. At the same time, remember the electric blue salvia Patens, never a mass of flower but always a dream of a colour late in August if you sow it now in similar heat.

In town gardens, you could also house cobaea Scandens, the rapid cover for walls and eyesores. Sow it indoors now and pot it on individually, training each plant up its own bamboo cane before it goes outdoors up a wall in May and reaches 15ft during one season. Thompson and Morgan, of London Road, Ipswich, Suffolk IP2 OBA (tel: 0473-688821) still sell the white form, which is the best at £1.99 for five seeds.

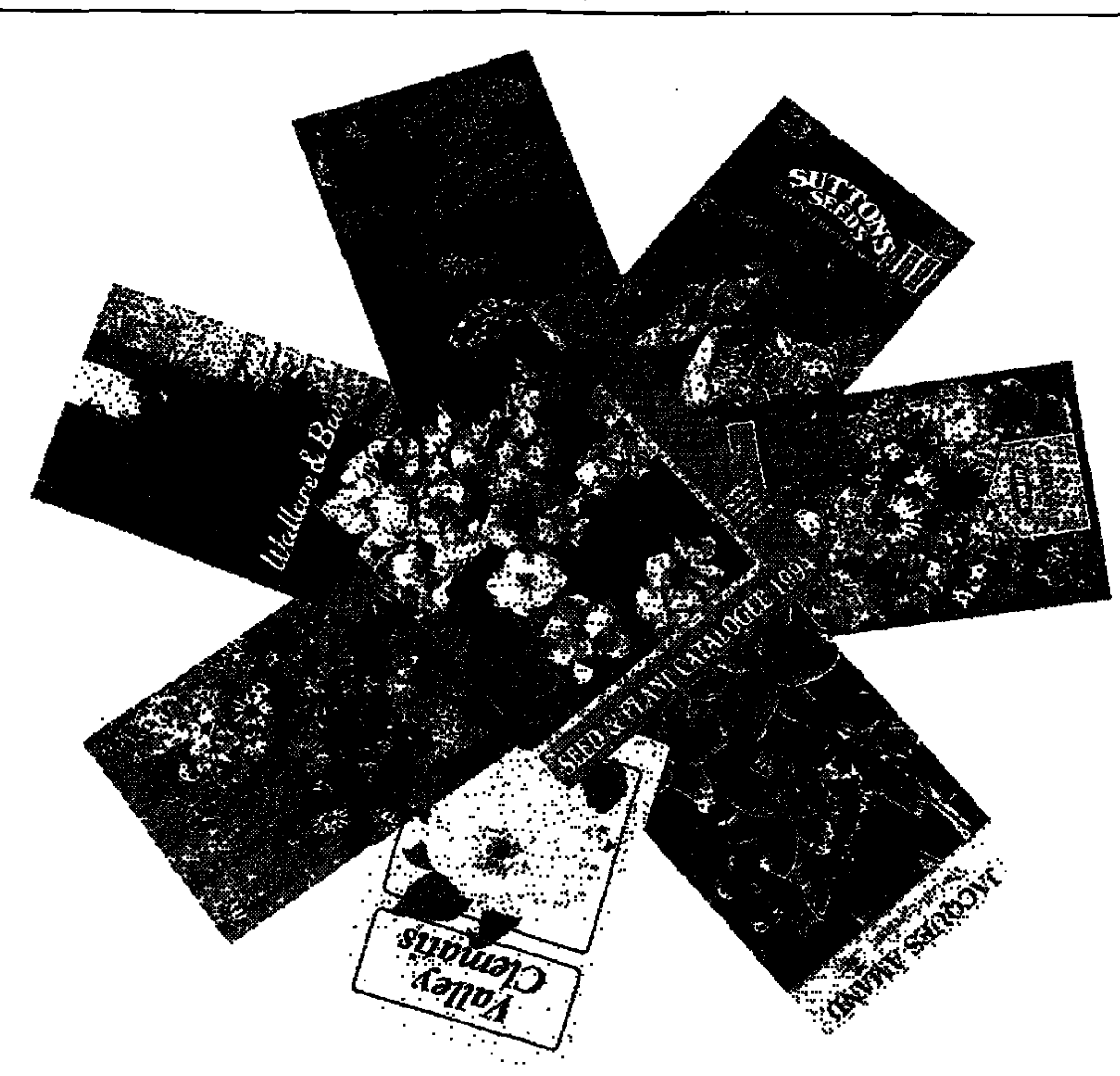
Last year, I had a prize-winning, board-sweeping, Sloane-stopping success. Everybody wanted it; now, the white venidium is available on open stands in good garden centres. This marvellous annual costs £1.69 for 80 seeds from Unwins of Histon, Cambridge, (0945-588522) or £1.69 for 100 from Thompson and Morgan. Unwins calls it Black and White and I think T and M calls it Queen of the Veldt but the reality needs no special name – just praise for white daisy flowers with a huge, black centre.

White venidium loves a dry, stony soil and opens fully in sunshine up to a height of 2-3ft. It is one of the few excellent things I have which even Sissinghurst's white garden has yet to discover – it is a marvellous new annual and does not need a blow-dryer.

Seedsmen, meanwhile, are extending a silly ploy this year. Well-known forms are being given dotty names and, unless you see through the folklore, you might think your best friends have been discontinued. Perhaps Latin is no longer a language for the semi-educated but, if we are going to be sold tobacco plants called Fragrant Cloud or flax called Bright Eyes, could not the botanically-correct be reassured on the packet that the seeds are the same old Nicotiana affinis and Linum grandiflorum?

I mind about these changes because both these annuals are essential buys for the summer. Fragrant Cloud is the tall, white tobacco plant which smelt heavenly when we all were children. Breeders stamped on it, though, because municipal bedders wanted compact little hummocks which would not be flattened by rain; something as wide-eyed and monotonous as clones from Pollyanna.

Be warned, too: when I tried to buy more tobacco plants last May, almost everyone could offer only the dreaded Domino mix or the even more dreaded Nikki. They are municipal monsters with no stature. The new breakthrough, Pink Nikki, will also be marketed widely but it is a beastly colour fit only for politically faint-hearted councils.



The alluring face of seed marketing: trying to get into your bed

A few plants of the hyper-tall tobacco, Nicotiana Sylvestris, go very much further and will light up an entire garden if dotted singly around its beds. I had a crop failure last year but these white giants with thin, drooping flowers usually reach 5ft by August.

The catalogue for connoisseurs is the one from Chiltern Seeds of Ulverston, Cumbria (0229-581137), which is offering an improved form of this giant tobacco called Only The Lonely. It also has the jade-green Brazilian Nicotiana langsdorfii, an essential tobacco at 2ft. While sold rarely as plants in May, it is excellent for those who want unusual plants for pots or expatriate bolt-holes.

Blacks and whites seem to be riding a new wave. Thompson and Morgan is offering seeds of a remarkable new aquilegia called Magpie, with flowers that look smart enough for a button-hole in Cecil Beaton's filmed version of the Ascot races. Black and white nemophila is being marketed as Penny Black and after my success with Five Spot, its spotted companion, I think I will have to try it.

To restore the balance, white cosmos daisies will have their usual run of my garden. Because they are generally sold to lazy gardeners as young plants in May, you need to order seeds now. The best is still the taller Purity, although the lists try to tell you otherwise. It is my essential companion for pots, rose beds, or anywhere which needs height up to 3ft.

You see how white has crept up on me – yet, white gardeners still look to petunias and leave other white annuals to fend for themselves. I am still booking my other non-white favourites: blues like Love-in-a-Mist, deep blue phacelia and dark blue trailing lobelia, a plant of real class if you segregate it. But I am also trying to outflank the homeopaths.

They have been telling us for years that evening primrose will cure anything from broken hearts to cellulite. It will now cure over-coloured borders because we can buy seed of Oenothera pallida, which is sold as Innocence. It has a slight tinge of pink, like innocence with a lush, but it is a gentle plant for placing wherever you want soft flowers throughout the summer. And this evening primrose has a virtue above all the half-hardy annuals which I have set above pseudo-wisteria: it will grow for anyone who can follow basic instructions on a packet.

Never believe it is difficult to grow your own annuals. Consumers should recover their Innocence: if they choose the right ones, they will find it no more bother than vacuuming the pseudo-wisteria at 100 times the price.

Country View / **Michael Wigan**

Bring on the predators

The unlikely saviours of British cereal farming may be the humble beetles which prey on aphids, cereal's natural enemy.

The traditional response to the threat of aphids has been spraying, usually two or three times a year and at enormous cost.

But since 1984, British scientists have been testing ways of stimulating the population of natural predators, such as beetles, ladybirds, hoverflies and spiders.

Up to 400 species of useful insect predators live in the hedgerows of southern England and research has been aimed at identifying which are the most useful, and how farmland can be managed in a way that benefits them. Time-lapse videos have shown how efficiently predators thin out pests, how far they forage, and so on.

Long mounds called "beetle banks" were built – higher and therefore drier than surrounding land, and if planted with beetle-friendly tussock grasses also warmer. From these hospitable surroundings, beetles make forays in summer to feed, roving up to 100 yards outwards.

The Biology Department of Southampton University has been joined by scientists from the Game Conservancy, which is interested in beetles and natural predators as part of its crusade to dissuade farmers from using "broad-spectum" insecticides which leave areas of land devoid of small creatures.

Dr Nigel Boatman of the Game Conservancy says beetle banks make sound commercial sense. Against the savings on insecticides, he calculates that a beetle bank 400 yards long, big enough for a 50-acre field, would cost only £90 (a one-off figure which includes cultivation, seed, and an adjustment for loss of the crop in the strip).

One must beware of over-simplification. "Biological controls," explains Janice Hickman of Southampton University, "are not totally predictable." There can be marked differences in annual populations of both pest and predator and "biological succession" can see some species being replaced by others.

Hickman has been working on hoverflies, another excellent aphid predator, but one which needs plenty of nectar and pollen. Hoverflies lay eggs in June and the larvae are ready to munch into action just when needed for summer wheat.

Hickman puts predator encouragement into perspective. She believes there will always be a need for pesticides. She thinks now in terms of integrated pest management – a mixture of methods including fungus-resistant plants, phacelias and beetle banks for natural aphid controls, as well as some fungicides (for mildew) and herbicides (for weeds), neither of which natural controls can address.

There is certainly huge interest among farmers in encouraging beneficial insects. The idea has caught the imagination of farmers at a time when public concern about chemical inputs has coincided with a political determination to scale down agricultural production.

The instinctive fear that uprooting hedges was harmful is being proved right. A well-known and successful Essex farmer who has barely used any insecticides for 10 years, told me his neighbours all agreed their heaviest yields were in the smallest, hedge-ringed fields. The predator insects have been playing their part in pest control all along – when not killed off themselves.

Beetle banks, after all, are a form of substitute hedgerow, but without the sheltering benefits. Phacelias are a substitute for old-fashioned wildflower-infested hedgerows. To advance into the future, today's farmers may need to step back into the past.

Motoring

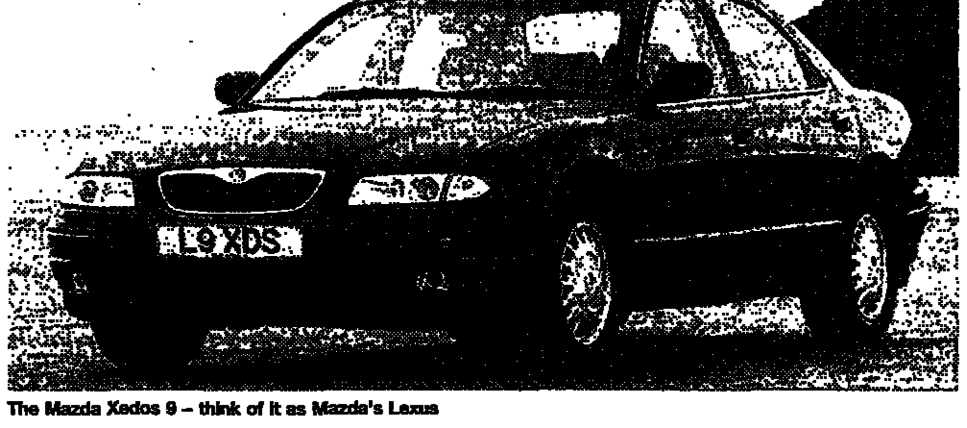
Worth every yen

***Stuart Marshall** predicts UK success for Mazda's latest luxury model*

Europe's quality car-makers have not been best pleased to hear Americans asking why they should buy another BMW or Mercedes when they can get the same quality and reliability, and lots more equipment, for less money from Japan?

They are talking about the posh brands, of course: the Lexus (Toyota), Accura (Honda), Infiniti (Nissan) and Xedos (Mazda). The Lexus, in particular, has profited at Germany's expense in the US and, to a lesser extent, Europe.

Can Mazda do likewise in Britain with the latest Xedos? I think it might. It will not be due to lack of ambition or product quality if it fails; this is a car on which any manufacturer would be pleased to put its badge.



The Mazda Xedos 9 – think of it as Mazda's Lexus

Whereas the Xedos 6 (this column, November 29 1993) is pitched against the BMW 3-Series, the larger Xedos 9 is targeted mainly at owners or users of the Audi 100, BMW 5-Series, Mercedes-Benz E-Class and, perhaps, the top end of the new C-Class.

There is a very strong family resemblance between the Xedos 6 and 9. Inside and out, the styling emphasis is on curves. The body shell is galvanised and has an eight-year anti-corrosion warranty.

Unlike its main rivals, which have rear-wheel drive, the 168 horsepower produced by the Xedos 9's 2.5-litre, 24-valve V6 goes to the front wheels via a silky, four-speed automatic transmission, with no manual gearbox option. But, even on wet roads, you would never know it was front-wheel driven. A traction control system – using the same electronics as the anti-lock brakes – eliminates wheel-spin and, with it, torque steer. (This is the disagreeable tugging sometimes felt through the steering of muscular front-drive cars).

The Xedos 9 would take very good care of an aggressive, must-be-in-front driver because it holds the road and handles securely, whether accelerating, cornering or braking. Other users, while appreciating its excellent dynamics, would revel in the quiet, smooth way it progresses.

It might sound like a back-handed compliment but I shall think of the Xedos 9 as Mazda's Lexus. Both are so tranquil that you must pay close attention to the speedometer on a motorway.

The velour-trimmed seats are supportive (although not as hard as they tend to be in top-quality German cars). Tall people will discover that the Xedos 9's only real snag is a steering wheel adjustable for reach but not for tilt. If you stand over 6ft, the rim could obscure the tops of some of the instruments.

Otherwise, a typical business motorist would find a £24,399 Xedos 9 difficult to fault. It is equipped lavishly. In addition to automatic transmission and traction control, the price includes air-conditioning, cruise control, driver and front passenger air bags, remote-control central locking with alarm and immobiliser, and a high-class stereo radio/tape player. Leather trim is the only optional extra.

Mazda claims a top speed of 130mph (210kph) and 0-62mph (0-100kph) acceleration in 11 seconds. With a likely consumption on a journey of 26-27mpg (10.5-10.9 l/100km) and a 68-litre tank, its refuelling range is about 350 miles (560 km).

Modern cars out of their depth

The floods have gone – for now – but many motorists are still counting the cost of trying to drive through them. They are faced with bills for re-building engines wrecked by water sucked through air intakes. The result can be dramatic.

Water cannot be compressed. If even an eggcup full gets through the air intake into the combustion chamber – the space between the cylinder head and piston top – there will be a very expensive noise. It will be the sound of one or more of the connecting rods bending or breaking, leading to a damaged cylinder head and, quite possibly, to a hole being smashed in the cylinder block.

Unfortunate motorists who have had to pay up to £5,000 for complete engine re-builds, have complained to the carmakers, dealers and motoring organisations. They have had little satisfaction.

Many drivers with comprehensive policies have found insurance companies do not automatically regard engines wrecked by flood water as having been damaged accidentally. Cars, they are told, are designed to be driven on roads, not through shallow lakes.

Years ago, cars with lots of space under the bonnet and air intakes high above their engines could manage a foot (30cm) of flood water if driven slowly. Not so modern cars, which are shaped by fashion, the need for good forward vision and minimum aerodynamic drag. Together, this means that bonnets – and engine air pick-up points – have to be low.

The Automobile Association has been contacted by many aggrieved members, including one who destroyed the engine of a two-week old car driving through floods. But Roy Staunton, of AA Technical Services, has simple advice for any driver of a modern car confronted by water. If it is more than 10in (25cm) deep at the very maximum, do not even think of driving through.

If, however, you must proceed, drive very slowly indeed so that it does not splash up under the bonnet or make a bow wave. Says Staunton: "I don't mean reducing your speed from 40mph (64kph) to 20mph (32kph) but, literally, to a walking pace."

S.M.

British justice in the dock

***Robert Kee** is moved by new insights into the disturbing story of the Birmingham Six*

After 16 years in prison for the Birmingham pub bombings, with which he had no connection, Hugh Callaghan spent his first night of freedom at a television company's expense in a smart Berkshire Hotel. He opened his wardrobe door in the morning to receive an unpleasant shock. A "screw" (prison officer) was standing in the room. It took Callaghan a moment to realise that the figure was his own reflection in the long mirror.

The disorientation caused by his terrible 16-year experience has not been easy to overcome. This book, written with an unaffected simplicity which gives it disturbing strength, is evidence that he has completed the process. It is also a humble but devastating indictment of the moral corruption that can lie at the heart of those British institutions which Michael Portillo says should command "social respect."

Society's respect for the law depends largely on the law's ability to make itself respected. It is due only to the conscientious work of "disrespectful" people like Chris Mullin MP that the law, which had for 16 years so complacently refused to listen to their protestations of innocence, eventually released Callaghan and the five other men.

They were released, however, in a manner which ensured that the full truth did not emerge of the flawed process which had ruined their lives, and left the relatives of 21 people murdered in Birmingham equally without justice. This leaves respect for the law still wanting. People in high places can whisper that the convictions of the Birmingham Six were quashed "only on a technicality." They are put to shame here by the modesty with which Callaghan tells his story, in conjunction with Sally Mulready.

The story's force comes from reliance on the power of the unsophisticated word. By the time Callaghan finds himself, to his bewilderment, in the hands of the police, you know the sort of straightforward man he is – an Aston Villa supporter fond of the occasional drink and a bet. His happiest memories of poor childhood, in the Belfast from which he had emigrated, are of playing football with a tennis ball in the streets; his worst memories of being beaten by a drunken father.

CRUEL FATE: ONE MAN'S TRIUMPH OVER INJUSTICE
by Hugh Callaghan
Poolbeg hardback £16.99 267 pages; paperback £4.99 237 pages

After his arrest, though Callaghan never claimed to have been badly beaten by the police, as were the others, you soon find yourself asking if it can really be Britain in which such things are happening. For it becomes all too possible in these pages to see how a man can be brought to confess to a crime he did not commit. His description is primarily of psychological torture but he strikes a chill when, on arrival at Lancaster prison for the trial, still officially on remand, he remarks placidly: "I began to realise that I was reasonably safe from assault here."

The few simple pages describing his bewilderment at the trial portray, as forcibly as any detailed study of the vast documentation available, that it was - for all its assumption of authority - a mockery of what authority ought to be. Not, of course, that there was any shortage of the proper procedures. The learned judge took three days to sum up. Callaghan writes: "He lost his voice at one stage; but he could have saved his breath."

The same quiet note pervades the rest of the disturbing story – an account, over many years, of the degradation of prison life as hope and despair alternate like the seasons, while self-respect and the knowledge that dishonour is not on his side keeps him going. It is a quietness in which one can hear a number of pins drop – the second-rate quality of certain of the higher prison officials, including most of the (Catholic) chaplains, and the third-rate - and worse - quality of some of the lower officials. There are a number of ugly sounds too but they are conveyed with a near-poetic touch. "There were many people in Albany who were mentally unstable. At night I could hear them screaming and talking to themselves, or sometimes laughing hysterically. It was a strange, terrible sound, bouncing off the walls of the prison."

Yes, this is a book about much more than a monstrous miscarriage of justice. One for Mr. Portillo in fact.

The Breughel of the suburbs

***Jackie Wullschlager** on a middlebrow moralist with a taste for the grotesque*

"Out of the gutter of wild desire on to the smooth lawns of married love" – that, says Fay Weldon in her famous novel *The Life and Loves of a She Devil*, is women's destiny.

Weldon's entire oeuvre, some 20 works of fiction written since the mid 1970s, is a comic, angry scrutiny of how this fate turns sour. In simple fables, highly coloured, full of larger than life, stock characters, she depicts the conflicts of sex, power and man's inhumanity to women. She is unique in contemporary fiction: a feminist who is also a popular, station-bookstall novelist.

Original visions or politically correct potboilers? Weldon's flare is for the grotesque, for creating gargoyle-characters like the She Devil, a clumsy giantess of a rejected wife who leaves her children, burns down her house, chops herself up to become as dainty as her husband's mistress, and returns to imprison and humiliate him. When this sort of black fantasy works, Weldon is our Breughel of the suburbs, exaggerating fallen everyday life into a blaze of chaos and sin and witty discontent. But when it fails, she is an unsubtle puppeteer, playing around with hollow figures, spouting clichés: a dull, too-topical moralist for our times.

AFFLICTION
by Fay Weldon
HarperCollins £12.99, 172 pages

Affliction takes an hour to read and seems dated even before one has finished it. Annette and Spicer, TV researcher and wine merchant, are Mr and Mrs 1990s: media lunches, recessionary worries, pizzas and videos, Father's Night at the antenatal clinic. When Spicer suddenly becomes less caring than expected, they both panic, and each secretly seeks out a therapist.

Their shrinks – you guessed it? – turn out to be a married couple as mixed up as they are, and intent on making their patients even more miserable. Confessions, insanities, infidelities, traumas, come tumbling out. Who is the voice of reason in the Hampstead madhouse?

Weldon of course tips the scales: confused Annette is the vulnerable naive victim; confused Spicer the feckless vicious manipulator. But the sex war, the heart of a Weldon novel, here lacks the comic energy which inspired books like the *She Devil* or *The Hearts and Lives of Men*. The jokes in *Affliction* are feeble. The money-grubbing, body-grabbing middle European shrinks are predictable, unfunny stage villains. The absurdist dénouement – haemorrhages, hospitals, quacks, a ride with a truck driver whose fee is sex every 50 miles – is recounted in flat depressing tones.

"Truck drivers are expected to be brutes. Terrible things happen to girls on the road ... but Spicer is meant to be civilised, and you are his wife. Spicer is worse than the truck drivers," says Annette's best friend. The leitmotif of Weldon's novels is that sex and greed win out over civilisation. Show this through a fantasy of grotesques and caricatures, and you have a comedy where ideas and images dovetail, and where even Weldon's notoriously sloppy style fits in with the vision of chaos. Show it through a middlebrow peep at partner-swapping among media folk, and you have just that – a tale as flimsy and artless as a gossip column.

Universal Pictorial

Fay Weldon: witty fantasist or unsubtle puppeteer?

A constant chorus of disapproval

***Anthony Curtis** on the fate of unconventional women in Victorian fiction*

The serialisation of *Middlemarch* on BBC-2 currently in progress has focussed the attention of the nation on the position of young women in Victorian society. Tom Winnifrith's study of *Fallen Women in the Nineteenth-Century Novel* is a timely exposition of not only George Eliot's but of the other major Victorian novelists' concern with the problem of women making something of their lives other than as adjuncts to men.

In Victorian Britain "fallen woman" was a way of referring to a woman who had eloped and lived in sin with a lover (as George Eliot did) and/or who bore a child outside of wedlock. Winnifrith finds several among the heroines and villainnesses of Austen, Brontë, Thackeray, Dickens, Hardy as well as in George Eliot.

Clare Tomalin's recent study *The Invisible Woman* showed how closely the notion was ingrained in the life of Dickens let alone his fiction. Winnifrith contrasts the crude punitive view of the fallen woman in a novel such as the highly popular *East Lynne* by Mrs Henry Wood with the sensitive attitude of George Eliot to, say, Maggie Tulliver mistakenly accused of eloping in *The Mill on the Floss*.

"Maggie's failings [he writes] fade into insignificance when compared with those of the society that condemns her. She is technically innocent, but feels herself guilty and tries to make amends for her guilt. Eliot was technically guilty, but felt herself innocent ..."

In her Prelude to *Middlemarch* Eliot lamented the lack of a convenient yardstick by which to make moral judgments about women. "If she said" wryly, "there were one level of feminine incompetence as strict as the ability to count three and no more, the social lot of women might be treated with scientific certitude. Meanwhile the indefiniteness remains, and the limits of variation are really much wider than anyone would imagine from the sameness of women's coiffure and the favourite love-stories in prose or verse".

Gillian Beer, in her *Darwin's Plots* (1983) seized on the word "variation" in that passage and pointed out that it is one of the key-terms in *The Origin of Species* which George Eliot read when it appeared in 1859, 13 years before she began to write "Miss Brooke", the first part of *Middlemarch*. Beer's interpretation of the novel as an example of "evolutionary narrative" hinges on vastly more than the coincidence of a single term; but one effect of the television serial is to support her account by giving us a compelling image of the Darwinian "complex interdependency" of life in Middlemarch.

Eliot apologised to her publisher George Blackwood for *Middlemarch*'s excessive length but said it was essential to bring out the complexity of her project. Seeing it week by week enables us to experience it in the way it was given to its first readers. Like so many of the great Victorian novels it was published first in instalments – in Blackwood's Magazine, 1871-2. Eliot was engaged in writing the final parts while the earlier ones were being serialised.

Two ladies who were avid readers came up to her and one, she tells us, said "How could you let Dorothea marry *that* Casaubon?". The other, "Oh, I understand her doing that, but why did you let her marry the other fellow [Ladislaw] whom I cannot bear?". Winnifrith points out that this public acclaim had an inhibiting effect on Victorian novelists. They had to cope with a censorious Mrs Grundy who had total sway over what could and could not be described. Frankness about sex was completely forbidden.

Part of the fascination of Winnifrith's study is his uncovering of the hidden sexual agenda below the surface, from clues planted in the texts of the novels. On television this can be done by the camera. In part two of the serial, for example, there was a scene where Anthony Page showed us Dorothea (Juliet Aubrey) and Casaubon (Patrick Malahide) in bed together – a scene no Victorian novelist could ever describe directly. She looks thoughtful, puzzled, disappointed. He sleeps lightly. She turns and kisses him on the brow. He makes no response except one of faint disturbance and dislike.

FALLEN WOMEN IN THE NINETEENTH-CENTURY NOVEL
by Tom Winnifrith
Macmillan/St Martin's Press £35, 178 pages

The crucial fact about Casaubon is his impotence. He is intellectually impotent but also sexually impotent. This is indicated in a number of ways that Winnifrith attempts to decode. One of the earthier minor characters, Mrs Cadwallader, describes Casaubon as a "great bladder for dried peas to rattle in"; among similar descriptions there is a punning clue in the name of Casaubon's parish. It is called Lowick – a reference to the limp male member.

In *Middlemarch* there are hints of illegitimacy but no real fallen women. Dorothea's problem is that her vast creative energy and capacity for life is cruelly frustrated by her marriages. But from Lydia Bennet, the eloper in *Pride and Prejudice*, to Hardy's Tess the field is large and Winnifrith shows how greatly attitudes changed to fallen women during the eight decades that we call the Victorian period. My only reservation about his book is that it is at times too compressed for comfort.

Winnifrith might well have extended his study to the Edwardian era when the fallen woman had such a dazzling career on the London stage in plays like *A Woman of No Importance* and *The Second Mrs Tanqueray*. In this manifestation she survived until the early 1950s. Her final appearance was as Hester Collyer in Rattigan's *The Deep Blue Sea* where she escapes ultimate suicide, the fate of so many of her Victorian sisters. Hester's survival was thanks to some neighbours, one in particular who was a dab-hand at psychotherapy. We have reached the modern period.

The global desk

***Andrew St George** discovers computer networking*

Three years ago, Senator Al Gore's High performance Computing Act was signed into law by President Bush. It outlined Gore's vision for "highways of the mind" to be mapped by federal research and development and brought to citizens by private enterprise. Like the railways in the 19th- and the telephone system in the 20th-century, there is a technological revolution afoot which stretches wherever a computer can be linked to others via satellite. The global village is becoming a global desk.

Howard Rheingold has written another first-rate book on computer technology. In 1991 his *Virtual Reality* was a clear, comprehensive guide to the technical and moral issues surrounding the three-dimensional computer-made worlds we are making in research, business and entertainment.

Now, Rheingold has done the same for computer networks in *The Virtual Community*. Using a communication programme and a telephone line, Rheingold is a world electronic citizen, in touch with thousands of others through a series of local and interconnecting networks which reaches from home in California to wherever there is anyone to speak to him.

He calls it *The Net*, an informal term for the coterie of computer networks using *computer-mediated communications* to link people around the world into public discussions; there is a directory called *The Matrix* (John Quarterman, 1990); and the shared computer space-time in which networkers communicate is called *Cyberspace*, broadly speaking, an electronic version of an 18th-century coffee house. Rheingold envisages an "online metropolis" where you make friends (irrespective of race, creed, colour, gender or capability) according to shared interests rather than chance proximity.

THE VIRTUAL COMMUNITY
by Howard Rheingold
Secker & Warburg £16.99, 325 pages

Rheingold has chapters on his own local network in San Francisco, on daily life in cyberspace, on *pornographie* in the Parisian Minitel system, and on online activism in the computer hacking community. He offers printouts of online discussions, and assembles a credible picture of what it means to spend two hours a day on a computer talking to other people. His light liberal touch guides the book through electronic activism and "Disinformacy", drawing on McLuhan, Habermas, Foucault and Bentham. It makes a stimulating read. The style is lucid and the issues lively.

Rheingold makes big promises: the Net – "an ecosystem of subcultures" - will change our perceptions of ourselves, offer the chance of "many to many" communication (opposed to TV's "few to one"), and alter our models of representative democracy. Some of these may be partially true for the computer-literate. The larger questions are those of ownership and control.

The world's first Network was the US Defense Department Advance Research Projects Agency's ARPANET, designed in the 1970s to allow researchers to operate computers at a distance.

The Net is fast, cheap, widely available and, commercially and politically, up for grabs. It breaks down the boundaries between professional and amateur by making information accessible to a range of people; universities are already reverting to the 18th century by recognising they have no monopoly on academic and intellectual property, and the Net will push that development further, undermining institutions based merely on knowledge.

What emerges from Rheingold's excellent book is a range of information and issues shaped for the non-specialist; it is deftly written and scrupulously precise. Rheingold makes space for his wry wit and his social concerns. Secker and Warburg have yet to publish *Virtual Community* electronically; it should be available online within a decade or so.

Flawed visions

***Ian Hargreaves** on Bryan Appleyard's first novel*

Those familiar with the journalism and other non-fiction writings of Bryan Appleyard will expect his first novel to be daring in theme and flawed in execution. They will not be disappointed.

Appleyard's last book, *Understanding the present: science and the soul of modern man* was a sweeping polemic against "spiritually corrosive" scientists. Before that came *Culture Club: Crisis in the arts* and then *Art and imagination in post-war Britain*. In between he gave us what must be judged a bonsai in landscapes of such scale, a biography of the architect, Richard Rogers.

The intellectual terrain of this novel is also ambitious. Stephen Rix is an architect in mid-life crisis, using a stupidly fast car to zip between mediocre projects, a family he has ceased to notice and a mistress who arouses everything but his curiosity. Then one day, in a field outside his country house, he experiences, with all the impressiveness of virtual reality, a vision of a gothic cathedral. When he allows this hopeful inspiration to be captured by a property developer for whom spirits are found only in bottles, he is propelled to the edge of doom. A final, anarchic act of intellectual freedom does not alter the essential bleakness of this post-modern fable.

Appleyard is an impetuous writer and thus not always master of the novel's tone. This shifts between dense and heaving passages of gothic imagination, comic juxtaposition, irony and even brief parody of the pulp romance. It is presumably meant to be funny that a sculptor Rix meets in the pub spouts metaphysics and immediately acquires the significance of John the Baptist. Yet the serious side of the story requires this pre-Messianic intensity to have some credibility and power to engage.

The church building becomes an occasion for mystical knee-trembling, for examining the nature of reality, as well as for lectures on the mathematical perfections of gothic style – "the precariousness and the disturbing energy were the point." But Rix's neglected and over-efficient wife surely scores a hit when she accuses her husband of "elevating your own wants and needs to some great system" or, as his partner puts it, of working in "adulterer's gothic."

THE FIRST CHURCH OF THE NEW MILLENNIUM
by Bryan Appleyard
Doubleday £14.99, 272 pages

Although the book's characters are incompletely established, there is some shrewd description of life around the architectural practice, whose members inhabit a millennial society which glumly echoes the style pages of today's Sunday Times. The author has a talent for arresting images, as when Rix's two main tormentors park their elaborate cars at his front door in a T-formation "as if signalling to passing aircraft that this was the right house to bomb."

With Appleyard, however, it is the boldness of the canvas which demands attention. Some of the ideas stimulate, even thrill, just as others collapse through rotten rafters of cliché or superficiality. We are led pleasurably enough into speculation about the origins of religion and the problem of modernity. But when Rix tells us that at their first meeting his wife saw straight through his "vacuous, supposedly intriguing generalisations," some readers may encounter alarming gothic visions of Mr Appleyard.

It is no doubt too crude to see the early-40s Appleyard in the early-40s Rix. Yet I could not help thinking that the advice Rix receives from his florid partner, Orlando, for dealing with the perils of one's 42nd year come uncomfortably close to circumscribing the limits of this novel's achievement. "The important thing," says Orlando, "is not to say or do anything boring."

This is a clever novel; some will think too clever for its own good. And it is certainly less boring than watching *Middlemarch* on TV.

Raiders of the lost tombs

Antiquities collections rob us of our history, argues ***Gerald Cadogan***

Burglary is often the simple, squalid truth behind collecting antiquities. Antiquities' robbers are ransacking the countries of the Mediterranean and Middle East. Why? Because they have a market, the collectors. Most objects in collections have no provenance. Many of these are stolen goods from illegal excavations. It is bizarre in the 1990s that the Royal Academy should appear to condone the practice by hosting an exhibition of the Ortiz collection, including goods without a provenance. Of course Ortiz, who purchased many of his pieces in England and Switzerland, has broken no laws. Provenance, however, remains a sensitive issue.

Times have changed, but not the Academy. The British Museum, the Getty and other great museums refuse to buy unprovenanced objects nowadays, unless they have a pedigree to show that they have been in private hands for a very long time – say, in an English country house or Italian palazzo. The Metropolitan Museum has handed back to Turkey fabulous silver and silver-gilt treasures of around 400 BC which the Turkish government has pressed hard for.

A New York commercial gallery has bowed to a campaign by American and Greek archaeologists and the Greek government and is donating a collection of Mycenaean gold that "surfaced" recently, and probably comes from tombs in southern Greece, to a charity – The Society for the Preservation of the Greek Heritage – to pass on to Greece. Many countries have ratified the Unesco Convention Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property. But the UK, which is a major clearing house for antiquities, has not subscribed.

In three ways we lose from antiquities theft. First, landowners lose. Ask John Browning, the Suffolk farmer from whose fields the Roman "Icklingham Bronzes" were stolen. He had an almighty battle, ending with a law suit in New York, to retrieve them. They will eventually come to the BM. In many Mediterranean and Middle East countries the law is different. The state owns all antiquities, but it does compensate landowners for finds that are reported.

Secondly, countries lose their birthright when the pieces disappear abroad. And finally, all of us, and particularly the home-country, are losing because the finds are robbed of their historical value. They become a tantalising travesty of what might have been discovered.

People often ask me what has been my best find, expecting to hear about gold. I wish I could find some. But archaeology is not primarily about precious objects. It is about finding out how people lived and developed through looking at every possible scrap of evidence. The vital concept is context.

Archaeologists are always trying to see everything in its setting, from the layers of earth in digging a tomb that show that these jewels go with this body, to the large issues of how the ancients used the landscape. The thrills come from new connections that let one rewrite a line or two of history.

Illicit digs destroy the context in the frantic rush to get the valuable objects out before dawn. Anger when the objects overtake the history is not merely priggish or politically correct. We have precious little history left in the ground. Like coal and oil, it is a finite resource. Any bit we dig up we must dig properly. Moonlight digging is vandalism. Through a chain of middle men, the collectors create the demand. If we stop the demand, the incentive to rob will wither.

And it will cut faking. Robbing breeds faking. When robbed goods are short, fakes fill the gap. They are not expected to have a provenance either. It may even be cheaper to pay one man to fake than to send a gang to rob with picks and shovels - and with a bribe to the village policeman. Take the third millennium BC marble figurines from the Cyclades. Twentieth century collectors love them. They influenced Brancusi and Modigliani. It is surprising how many exist, looted from the islands or, if not looted, faked.

There are some arguable benefits to exhibitions of antiquities collections - they could, for example, bring the objects to the attention of possible legitimate claimants. But I am unconvinced. As a long-time Friend of the Royal Academy, I trust that this is the last time Burlington House holds such a display.

Man who laid the golden egg

***Susan Moore** on the Fabergé exhibition*

There is more to Karl Fabergé than Imperial Easter Eggs – those absurd gem-encrusted confections concealing miniature "surprises" that might be mechanical strutting peacocks or working models of the Trans-Siberian Express in gold and platinum. The House of Fabergé also produced silver vessels, clocks, carved hardstone animals and flowers, icons, jewels and any number of exquisitely enamelled *petits riens*. The tragedy is that all of it is, to some extent, rather vulgar.

Consummate craftsmanship cannot redeem most Fabergé from being simply ostentatiously expensive trinkets designed to amuse the jaded palates of Europe. Most offensive of all are those objects that masquerade as functional items. A tour-de-force is the salt cellar that takes the form of a miniature Louis XVI bidet crafted in gold and enamel and studded with seed pearls. A hardstone head of an Indian Brave turns neatly into a vodka cup. There can be few more eloquent witnesses to their age than Kaiser Wilhelm II's silver helmet that so conveniently doubles as a cigar box.

What remained of the Fabergé business in 1918 was closed by the Bolsheviks. Last year, the Russian people have had their first opportunity since 1902 to appraise the Imperial jewellers. The exhibition at the Hermitage in St Petersburg, which travelled on to Paris and is currently at the Victoria and Albert Museum in London, was the brainchild of the Fabergé Arts Foundation, an international group of scholars committed to restoring the Fabergé house at 24 Bolshaya Morshaka and establishing within a museum and jewellery workshops.

No doubt the documentation and designs only recently uncovered in various Russian archives – the academic underpinning of the show – will be a draw to Fabergé buffs. So, too, will the 150 or so objects on loan from Russian museums, including a group of fakes or *Fauxbergé*. But the truth is that any show of Fabergé will pull the crowds.

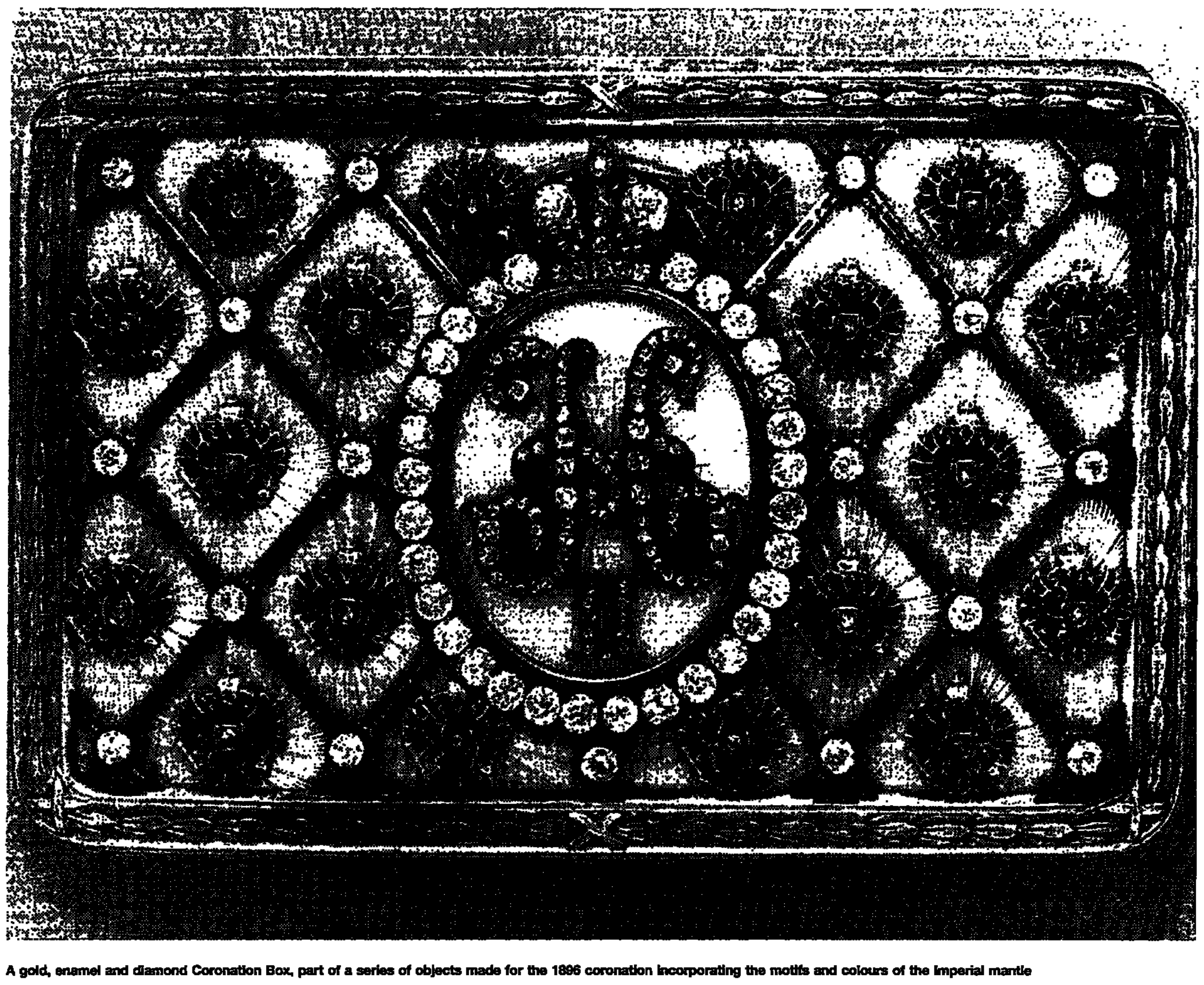
This is one art that is truly popular. Fabergé represents an opulence beyond the dreams of most men. Moreover, the history of so many pieces is the stuff of romantic fiction – all those gifts to and from beloved royal wives and mistresses.

It is impossible not to marvel at the craftsmanship, ingenuity and technical innovation invested in these artefacts. The lustrous enamels, for which Fabergé was world famous, are a case in point. Fabergé offered some 144 different hues; the most their competitors could manage was 30 or 40. They used six or seven different coloured golds; the 18th century had known only four.

The various Fabergé workmasters reveal themselves adept at adapting and transforming a range of historical styles, from Renaissance to Mughal and the cloisonné enamel objects in Old Russian style favoured by the Boyars and rich bourgeois clients of the Moscow workshops. In contrast to all this historicism is the Art Nouveau of which Fabergé was a leading exponent. A disappointment of the show is that captions make scant reference to the striking semi-precious and exotic materials employed.

The exhibition also belies the myth that Fabergé only worked on minute scale. Almost the first object we see is a monumental silver-gilt *kovsh* or traditional Russian drinking cup used by the Danish kings as a wine cooler. At the other extreme is the quintessential superior Christmas-cracker novelty: a miniature replica of the Russian Imperial regalia mounted on tiny velvet cushions and glittering with over 3,500 diamonds. The regalia drew vast crowds at the Exposition Universelle in Paris 1900. Almost a century on, the public is still drawn.

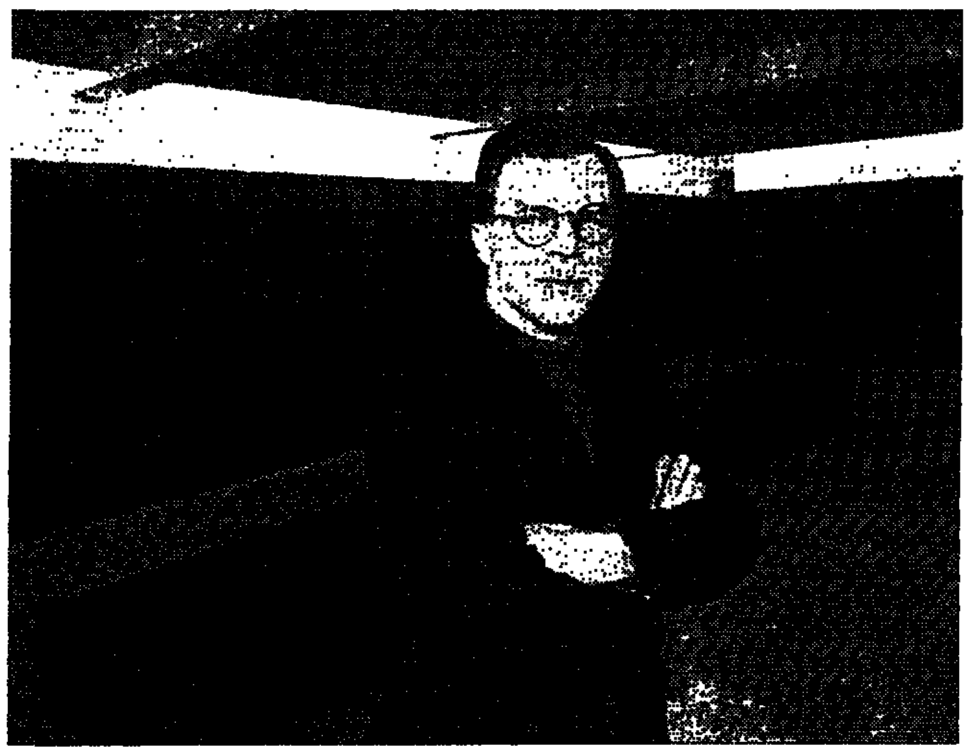
Fabergé: Imperial Jeweller, sponsored by Elida Gibbs, continues at the V&A until April 10. Admission £4.75



A gold, enamel and diamond Coronation Box, part of a series of objects made for the 1896 coronation incorporating the motifs and colours of the imperial mantle

The sickly sweet smell of success

***Antony Thorncroft** on choc art*



Trevor Humphries

Karsten Schubert, surrounded by Anya Gallaccio's chocolate walls

Among the first time exhibitors at Art 94, the leading contemporary art fair in the UK, was Karsten Schubert. Schubert, 32, runs the avant-garde gallery recently described by *Evening Standard* art critic Brian Sewell as "the most squalid little gallery in London".

Among Schubert's artists are Rachel Whiteread, latest winner of the Turner Prize, and Anya Gallaccio, whose current show offers just one exhibit – 325 bars of Bournville chocolate melted down and smeared over the walls.

At the art fair, which closed last weekend in Islington, Schubert was displaying his most accessible and accepted artist, Bridget Riley. He sold five of her gouaches, priced up to £6,500. Financially, the fair was good for his gallery but he found it a depressing experience and he will probably not bother to show again next year. "My six main customers did not show their faces". You feel that Schubert shares their disdain for most of the decorative and often figurative modern art on display at the fair.

The gap between the contemporary paintings and sculptures for sale at Art 94, designed to enhance living room walls, and the "cutting edge" contemporary art promoted by Schubert has never been wider. Most of the time this hardly matters. Schubert sells to a few loyal customers and to museums: he is not commercially minded, at least in public, and makes little attempt to cash in on any notoriety.

This is most obvious with his reaction to the Turner Prize, the only occasion in the year when "cutting edge" art intrudes into the popular awareness. Last November's Prize went to Whiteread, who subsequently filled the media with the furore over her installation "House", a concrete moulding of the interior of a Victorian terraced house.

"The Turner Prize generates a lot of publicity but this is not translated into additional sales. People who are serious about art don't need the Turner. The interest in Whiteread was already there. Charles Saatchi bought three of her works in 1991. Everything she does sells and the Turner has not affected her prices".

Schubert sees the destruction of "House" as "real short-sightedness, verging on a Fascist mentality: destroy what you don't understand. Artists want to resolve certain contemporary problems. When Rachel finished 'House' it was apparent that it was bigger than she had hoped for. There is now a real sense of loss."

In the next year Whiteread might produce 12 pieces, with a medium-sized work valued at £15,000. She has half a dozen buyers in the UK, a few more abroad. The Tate Gallery already owns two of her sculptures and the Museum of Modern Art in New York is seeking one. Neither Schubert nor Whiteread seem anxious to capitalise on the Turner.

"We could increase Whiteread's prices in the short term but must be careful not to push the market beyond what it can bear". The demand for her moulded one-off's is intense but limited: in these rarified reaches, talk of money seems an embarrassment.

"Artists are not driven by revenue. When it becomes a concern, their creativity is drying up." Schubert is as good as his word. He used to give his young artists stipends, but "I try not to any more. It creates dependency, and artists are frightened if they are indebted to a dealer". Instead of cash he attempts to strike up a rapport.

The real battle between Schubert and most other dealers revolves around whether to back the new – which these days consists mainly of conceptual art, most of which will prove meretricious and ultimately banal but which will occasionally throw up a new insight on the world – or to concentrate on selling historically sanctioned art, where prices are sustained by the patina of time.

Once the distinction is made it is obvious that the 220 collectors, dealers and museum curators who make up the Patrons of New Art at the Tate, and who founded the Turner Prize, are actually interested in an entirely different type of art to that which attracts most people. Often the very size of the artifacts makes it curatorial, designed for museums or galleries, rather than the home.

This does not stop the darts of the critics, notably Brian Sewell, whose distaste for the new inspired a coven of artists, dealers and academics to call for his head. Schubert signed the letter of protest. "Any art critic who maintains that modernism is a failure, something that went wrong somewhere between Picasso and Duchamp, between 1907 and 1912, disqualifies himself totally from talking about contemporary culture in any context. Brian Sewell has in effect dismissed everything that is truly great in our century and I somehow cannot agree with that".

Sewell has, inevitably, expressed contempt for Gallaccio's chocolate walls, which have been on display for ten days now. Patches of white show through and the sickly sweet smell is nauseating.

Schubert has not sold the exhibit, or rather he has not sold the certificate, priced at £5,000, which enables the buyer to "decorate a room to a specified height with plain chocolate, applied with a brush in three layers". There has been only one encouraging inquiry but the gallery owner is unperturbed. After Gallaccio's last show three years ago, consisting of flowers pressed between sheets of glass, it took 18 months to find a buyer. Schubert believes in his artists: history will determine their merit.

Of course there has to be some financial discipline. Schubert could not run his gallery solely on the certainty that one day Anya Gallaccio, a 30-year-old graduate from that hot-house of conceptual art, Goldsmith's College, south London, will be recognised as an original and significant artist. His next show will consist of three new paintings by Bridget Riley, an established Royal Academician, whose work is already sanctioned by time. With two of the works, each priced at £45,000, already spoken for, Schubert can trawl the degree shows of the art colleges this summer for new concepts with some confidence.

Off the Wall/**Antony Thorncroft**

A lucky break

Here is some good news for the arts. The Foundation for Sport and the Arts, which was conceived by the pools promoters in a last minute bid to ward off a national lottery, is to continue when the Lottery finally starts spouting money next year.

The Foundation has turned into the proverbial Fairy Godmother. Thousands of arts organisations, from the lowliest amateur dramatic group, like Peterborough Opera, which has just received £3,096 to spice up productions this season, to English National Opera at the Coliseum, which was given £2.4m towards computerising its box office and buying its freehold, have benefitted since the Foundation got going in 1991.

There was a fear that the pools promoters (basically Littlewoods) would wind up the Foundation when the Lottery began as a competitor for the gambling pennies of the nation, but now the pools' companies hope to continue to finance the Foundation, unless, against their best research estimates, they suffer the loss of 30 per cent or more of their revenue.

When launched the Foundation expected to distribute £60m a year, £40m to sport (there cannot be a cricket club in the country that has been slow-minded enough not to apply for funds towards a new pavilion) and £20m to the arts. In fact it has done better than that. It gets its money from a reduction in government betting tax and a levy on pools turnover. This has exceeded expectation and the honey pot totalled £63.5m last year. Grattan Endicott, who runs the Foundation, expects to distribute almost £70m this year, with the arts receiving around £23m.

The advent of the Lottery is bound to hit the Foundation's income, perhaps reducing its funding of the arts to nearer £15m a year, but it is already seeking a niche in the new situation. Endicott is talking to the Arts Council, which will handle the Lottery money earmarked for the arts, estimated between £70m and £200m a year, to map out areas of interest. It is likely that Lottery money will go towards the major projects – a new dance house for London; an opera house for Manchester – while the Foundation concentrates on grass roots arts, organisations seeking £35,000 or less.

In preparation for the switch the Foundation has stopped its breath-taking £500,000 hand outs, which brought joy to RADA, the Edinburgh Festival Theatre, and Birmingham Rep, among others, and has fixed a top limit of £150,000. Since most pools punters, who finance the scheme, are not natural opera-goers Endicott thinks it fairer that the £1.3m cheque he receives each Thursday should be distributed around sports and arts activities likely to involve the greatest number of participants at local level.

The Foundation has turned into the proverbial Fairy Godmother

★

Perhaps the most traditionally E·glish fair of the year is the World of Drawings and Watercolours, which closes at London's Park Lane Hotel on Sunday evening. This is was the occasion when, in times past, collectors from the shires invested their Lloyds Bonus in a new watercolour.

That might be only a fond memory, but with interest rates so low, art lovers are once again preferring to turn spare capital into antiques and business for the 45 exhibitors is proving surprisingly brisk.

It has been helped by a technical breakthrough, glass which keeps out ultra violet rays and prevents fading. This could transform the popularity of watercolours and drawings. The fact that many owners had to hide them away from sunlight often in folders, detracted from their appeal.

Dealer John Spink has covered all his stock with Tru View, a glass developed in the US. He reckons that the glass is invisible, and makes watercolours as easy to keep as oils. It has enabled him to make sales to Spanish and Italian buyers whose Mediterannean sunshine was anathema to the art form. At a cost of around £120 for an average picture it is a modest investment for peace of mind.

The most expensive picture on offer at the fair, a Turner watercolour of Conway Castle which Leger Galleries is offering for £400,000, is also covered by the new glass, this time a German version. It is a pity that the British, who pioneered the watercolour, should now depend on foreign breakthroughs for their continued popularity.

★

The Tate Gallery's policy of switching around its stock each January a has done wonders for attendances. They have risen by over half a million, to 1.76m last year, since 1990. What has not changed is the popularity of the Tate's pictures as reflected in the sales of post cards at its shop. This beauty parade seems changeless. Last year the list was headed as always by that popular favourite, Millais' floating Ophelia, followed by Waterhouse's equally romantic and escapist Lady of Shalott.

ARTS

Mixture of old myth and modern madness

Malcolm Rutherford on a play which is like thinking aloud at Scrabble

Do not make the mistake of reading Caryl Churchill's new play before you see it. The live performance of *The Skriker* is infinitely better than the text suggests. And if I still do not like it, that may be due to a distaste for fairies, spirits and the underworld, whether they come from the ancient Greeks or a contemporary British writer. Possibly sheer prejudice on my part.

The play is a mixture of old myth and modern madness. Two girls, one pregnant, the other having aborted, become embroiled with spirits. A pagan underworld, whether real or imagined, is all about them.

Chief among the spirits is the skriker, defined as "a shapeshifter and death portent, ancient and damaged". As skrikers go, this one is relatively modest: she describes herself as "one of many, not a major spirit, but a spirit".

She has been around "through all that stuff that you would call history, Cavaliers and Roundheads, Henry VIII, 1066 and before".

What she is doing in 1994 is less clear. Anyway, the skriker torments the two girls with a variety of charms and threats. She is magnificently played by Kathryn Hunter in one of the most physically and vocally versatile performances I have seen.

An act of contortion at the start almost takes the breath away. Ms Hunter keeps it up to the end, having been through several guises, young, old, male, female. The style may be borrowed from Robert Lepage; the admiration for the execution must be total.

Alongside the skriker is a large number of presumably lesser spirits. They include the Kelpie, half-man and half-horse on a huge pair of stilts, Rawheadandbloodybones, Yallery Brown, Jennie Greenteeth and Black Annis. Apart from the spectacle and filling up the stage – Philippe Giraudeau on stilts takes up a lot – their contribution is limited.

True, *The Skriker* contains an element of dance, especially when the underworld hots up for dinner, but there is not very much of it. Perhaps there should be more. There is only one song, when the spirits sing "Drink, drank, drunk". *The Skriker* is not really a new departure into multi-art forms; it remains essentially a play.

Easily the most fascinating part of it is the language. Churchill has steeped herself, consciously or otherwise, in Gerard Manly Hopkins.

There are other allusions. The witches in *Macbeth* crop up repeatedly, there is perhaps the Fool in *King Lear*, and references to nursery rhymes abound. But it is Hopkins who dominates. *The Skriker* is studded with multiple alliterations and playing with sounds and words – almost like thinking aloud at Scrabble.

Hunter's opening speech lasts 14 minutes, which is another reason for admiring her performance. It is not much shorter than Hopkins's *Wreck of the Deutschland*. And when she says "a bit a bite a bitter bread and he was crumbs crumbling to dust panic. Better forget them, not always be talking stalking walking working them over and understand still" the debt is plain.

Ms Churchill adds some engaging flourishes. There are also comic touches. One of the girls after kissing the skriker spews out pound coins, the other – less friendly – live toads. But it is the linguistics that catch the memory.

The two girls, Jacqueline Defferary, as the pregnant Lily, and Sandy McDade, as Josie, are excellent. A curate's egg, *The Skriker* is worth seeing out of curiosity. Les Waters directs and the music is by Judith Weir.

In repertory, Cottesloe. (071) 928 2252

Kathryn Hunter in one of her guises as the chief spirit of Caryl Churchill's new play 'The Skriker'

Why ballet is blatantly heterosexual

Alastair Macaulay on the romance of dance

Blatantly heterosexual. In using those words, or other words to their effect, Jane Brown, the head teacher who recently stopped her young students attending a free performance of Kenneth MacMillan's ballet *Romeo and Juliet* at Covent Garden, has stirred up gales of both rage and laughter.

Rage, not least because the kids could easily have seen the ballet on TV in December anyway. And laughter, of course, because, for heaven's sake, this is a *ballet*. Isn't ballet full of sexless anorexics and poofs? The current *Private Eye* carries a cartoon of two poncy danseurs indignantly reading the words "blatantly heterosexual"; one of them is saying "I'll sue."

As a comment on the ballet *Romeo and Juliet*, "blatantly heterosexual" is apt enough. MacMillan's 1965 choreography, probably the ballet version of *Romeo* best known across the world today, was inspired in part by the famous Zeffirelli RSC staging of the Shakespeare play and by *West Side Story*. This *Romeo* jazzes up its crowd scenes with three harlots, who are good at supplying Verona's men with those things in which the city's honest, drab, churlish housewives are deficient: i.e. lusty snogging, frothing skirts, bawdy humour. (In other *Romeos*, there are more boy-boy scenes than boy-girl. Here, however, the harlots flirt with Mercutio, Benvolio and, sometimes, Romeo, and so keep the hetero- content to the fore.)

And Lynn Seymour, the Juliet for whom MacMillan conceived this *Romeo*, used to make it quite clear that in Romeo she discovered her own sexuality. Gauche until she met him, she became so transformed that when waiting for him in the moonlight she used to caress her whole upper body against the balcony – arms, shoulders, neck – in a wave of voluptuous impatience. (Prim ballet-goers who preferred more pious Juliets used to say "She's no Juliet, she's a whore.")

But the intensely sexual nature of many MacMillan ballets (*Romeo* and *Manon* – both of them have been set texts for A-level Dance, by the way – are among his milder efforts) obscures the larger issue of sexuality in ballet. What kind of sexual content exists in classical ballet – the grand formal kind of ballet, with women in stiff tutus being supported by attentive cavaliers?

Deep down, classical ballet is (a) blatantly sexist (b) essentially heterosexual. No other art is so profoundly based upon the dichotomy between male and female. The woman rises onto point; the man may not. He remains mortal; she becomes in part divine. He is there to partner her; she uses his support to expand herself yet further. That she might support him, or that he should rise up onto point too, is inconceivable.

Ballet is an expression of chivalry, of old-style noble heterosexual etiquette. Yes, there are quite a few gay men in ballet (though, for those of you who like to know, most of the Royal's current Romeos are straight) and, yes, the audience has its quota of gay men (though less, I would say, than opera) and lesbians too. But all of them, consciously or otherwise, are sharing a vision in which only male-female love obtains. (The choreographer Mark Morris, when a young dancer, left a ballet company because "I got tired of pretending to be a straight guy in love with a ballerina.")

So why do gay men go to ballet? Less, I think, to ogle pretty boys in white tights than you might suppose. The real spell of ballet lies in its Romantic core – the sense of radiant erotic doom that unites the Swan Queen's fate to Siegfried's, that links Giselle to Albrecht even beyond death. Every heroine finds the hero she has been waiting for; and gay men, watching, can bask in that.

But the sexual content of ballet goes deeper than the idea of "Some day my prince will come". Though there are feminists who have claimed that women are being demeaned every time a male dancer lifts a girl off the floor (which happens in most modern dance too), sexual relations in ballet are often profoundly expressive.

The great adagios of the classical repertory – those strange formal rituals in which the danseur stands patiently with extended arm supporting the ballerina while she, on one point, performs superb feats although scarcely addressing him – express not only a woman's need for a man but also, paradoxically, her need to be independent of him. She does not keep on giving herself to him. In fact, she keeps using him; in some pas de deux, she keeps *eluding* him. It is essential that she maintains her own space, and keeps her distance (arm's length – literally) from him.

There are meanings here for any feminist to investigate. If Jane Brown loses her job as head teacher, someone should employ her as a ballet critic. She will have her work cut out.

Leslie E. Spatt

MacMillan's first Juliet: Lynn Seymour with David Wall in the original production

A perfectly relentless Elektra

David Murray welcomes this revival of Strauss's opera

A drab tunnel of corrugated metal, pierced vertically by a tree trunk that seems to be upside-down, with a mechanical double door at the back and a long, shuttered window higher up: not an obvious setting for Richard Strauss's *Elektra*. Yet in Götz Friedrich's 1990 production for the Royal Opera – now revived for the first time, by David Massarella and Gerlinde Pelkowski – Hans Schavernoch's grim designs serve very well.

Wednesday's first-night performance exerted a steady, properly dismaying grip throughout its unbroken two hours (nearly), and was received with awed appreciation by its well-blanched audience. An *Elektra* that fails to be seriously disturbing is a failed *Elektra*; this one succeeds. What is especially striking about it is that the whole is so much more than the sum of its imperfect parts. Judged in the chilly light of long experience, it hardly begins to qualify in detail as a vintage treatment – and yet its whole trajectory is focussed so unwinkingly as to hold our sympathetic attention in thrall.

The new conductor is Christian Thielemann, who encouraged a soft, dense attack from his orchestra. There were times when more incisive rhythms would have been better, and the Recognition scene for Electra and Orestes ran dangerously slow in its later part. Little by little, nevertheless, Thielemann's long-sighted view of the score accumulated its own weight and power. For Electra's fatal dance of triumph at the end, we have heard much more violent, "seismic" orchestral eruptions; but in Thielemann's hands it was continuously lyrical, gently swung and perfectly relentless.

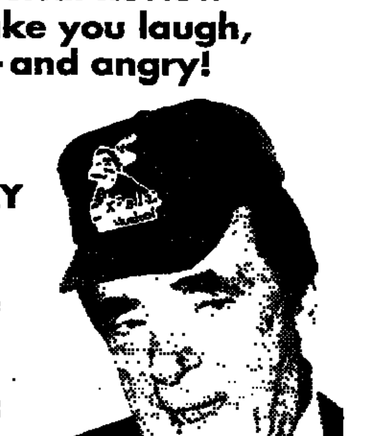
The 1990 principals are all back again. The monstrous Electra is Eva Marton, whose hefty soprano is more than ever inclined to spread (it took her a good hour to fine down), but her fervid dramatic commitment carries all before it. Marjana Lipovšek's Clytemnestra is dark, velvety and superbly decadent; Robert Tear's half-comic Aegisthus is more thoroughly *sung* than any other role here; Nadine Secunde's excellent Chrysothemis suffers only from sounding too close to the Marton model – this hapless creature needs to make a lighter, brighter, fresher contrast to her obsessed sister.

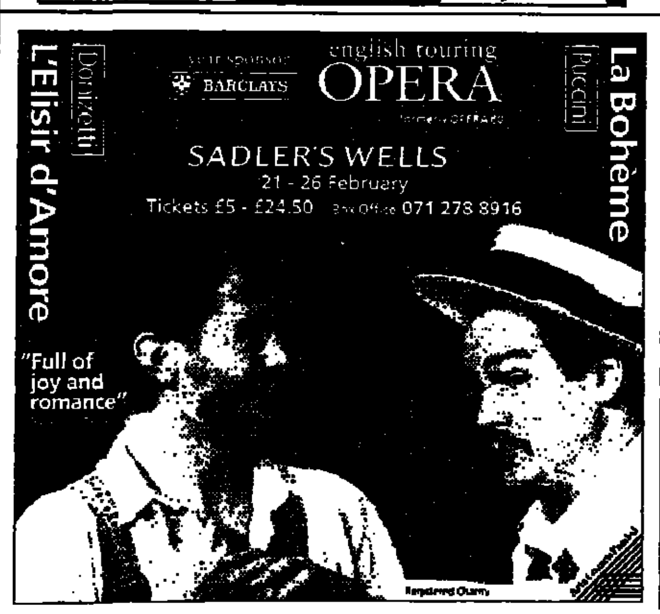
The matricidal Orestes *is* also an American, Robert Hale, who fuels him with a brave, shuddering anxiety beyond the customary stone-faced norm. In smaller parts, Mark Beesley and Alasdair Elliott make disproportionate impressions as Orestes' Tutor and the Young Servant, and Jane Webster's Fifth Maid scores an equal mark. As Clytemnestra's confidantes, Patricia Cameron and Valerie Robinson get little to sing, but look brilliantly reptilian.

The First Maid is Elizabeth Bainbridge, who is shortly to retire after singing almost a thousand performances with the Royal Opera. All Covent Garden regulars will remember her with admiration and respect. Far more than just a reliable company hand, she has lent sharp character and musical insight to a huge variety of roles, from Erda and Amneris to the Grandmother in Janacek's *Jenufa* and Tippett's "She-Ancient": a fine, invaluable performer.

Further performances, in repertory, to February 17

No 1006: 1 Nxh6! gxh6 2 g5! hxg5 3 h6 Ne7 4 h7 Ng6 5 Kg2 wins. Black's king is tied to the b6 pawn, so White's king advances up the board to help his h7 pawn through to queen.





TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Walking the Dog. 7.50 Peter Pan and the Pirates. 8.10 Chuckdevision. 8.35 The Raccoons. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus: Preview of today's FA Cup fourth-round matches. 1.00 News. 1.05 Racing from Cheltenham: The 1.10 Food Brokers Finesse Four-Year-Old Hurdle. 1.20 Skiing: The Men's Downhill World Cup from Chamonix. 1.40 Racing: The 1.45 Timeform Hall of Fame Chase. 1.55 Ice Hockey: Scotland v England from Murrayfield. 2.15 Racing: The 2.20 Cleeve Hurdle. 2.30 Ice Hockey. 2.55 Rugby League: Halifax v Warrington. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 The New Adventures of Superman. An invisible man terrorises Metropolis, committing robberies and presenting the Man of Steel with his toughest challenge to date. Dean Cain stars.
6.15 Noel's House Party. EastEnders star Adam Woodyatt receives a Gotcha Oscar, and runner Yvonne Murray tries to Grab a Grand.
7.15 Big Break. Snooker professionals Lynette Horsburgh, Allison Fisher and Karen Corr cue up to help contestants from Manchester, Bedford and Northumberland.
7.45 Birds of a Feather. Tracey looks forward to resuming her motherly duties when son Garth returns from school – but he has other ideas. Starring Linda Robson and Matthew Savage.
8.15 Casualty. A potentially deadly confrontation threatens to erupt in Holby's accident and emergency department when a released psychiatric patient is admitted after stabbing a pregnant woman. Featuring Derek Thompson, Clive Mantle and Patrick Robinson.
9.05 That's Life!
9.45 News and Sport; Weather.
10.05 Match of the Day: The Road to Wembley. Desmond Lynam introduces highlights of today's fourth-round FA Cup action.
11.20 Film: Staying Alive. Sequel to Saturday Night Fever, starring John Travolta as a struggling dancer trying to make his mark on Broadway. Directed by Sylvester Stallone (1983).
12.50 Weather.
12.55 Close.

BBC2

8.00 Film: In Society. 9.10 Film: I Own the Racecourse. 10.25 All-Time Classics. 11.05 Bollywood or Bust! 11.35 Chanakya.(English subtitles).

12.15 Film: Miracle in the Rain. A plain New York girl falls for a soldier during the second world war, only to have her dreams of romance shattered by tragedy. Weepie, starring Jane Wyman (1956).
2.00 Holiday Outings. Jill Dando tours India.
2.10 Horizon. An examination of Nobel prize-winning scientist Gerald Edelman's revolutionary theories about the human brain and its functions.
3.00 To Know Where They Are. The attempts of Polish emigrant Max Randall to trace the relatives he left behind after fleeing to the US just before the second world war.
3.25 Consuming Passions. Ian Parmenter prepares stuffed tomatoes.
3.35 Film: Elvis: The Movie. Kurt Russell stars in John Carpenter's biopic of the young Mississippi truck driver who became the idol of millions (TVM, 1979).
6.20 Late Again. Highlights from last week's editions of The Late Show.
7.05 Scrutiny. A look at the work of the parliamentary committees.
7.35 News and Sport; Weather.
7.50 Personal Ambitions. Concluding the two-part account of the relationship between leading Australian Labour Party figures Paul Keating and Bob Hawke.
8.40 Unplugged. New Zealand quartet Crowded House join solo artist Tim Finn to perform an acoustic set.
9.05 Arena. New series. The Wonderful Wizard of Oz was written by L Frank Baum almost 100 years ago, and it is more than 50 years since the classic screen adaptation starring Judy Garland was released. Using rare archive footage from earlier Oz movies, together with outtakes from the MGM movie, including the missing jitterbug sequence, plus clips from the 1960s Turkish version, Arena tries to uncover why the classic fairytale still casts a spell over audiences today.
10.05 Between the Lines. Tony Clark investigates allegations of sexual harassment levelled by a WPc against a black sergeant. Neil Pearson stars.
10.55 Film: Night Sun. Premiere. Drama about an idealist seeking spiritual serenity in the face of temptation. Julian Sands and Charlotte Gainsbourg star (1990). (English subtitles).
12.45 Later with Jools Holland.
1.35 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30pm Movies, Games and Videos.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 NBA Basketball.
2.10 Film: Carry On Cruising. Sid James and the Carry On crew take to the high seas for lewd laughs as they sail around the Mediterranean. Bawdy comedy, with Kenneth Williams (1962).
3.50 International Athletics. Great Britain v Russia from Glasgow's Kelvin Hall, with a powerful British side led by world champions Linford Christie and Colin Jackson, plus local hero Tom McKean.
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.15 Cartoon Time.
5.30 Catchphrase. Game show.
6.00 Blind Date. Hopeful singles try to find the partner of their dreams.
7.00 Barrymore. Star-struck members of the public demonstrate their talents, featuring a singing six-year-old from Hull, a Harley Street cosmetic surgeon and sculptor Dev Basra.
8.00 Murder, She Wrote. Jessica investigates when a powerful businessman is murdered while masterminding a crucial corporate takeover and suspicion falls on his abused wife. Angela Lansbury and Lois Nettleton star.
8.50 ITN News; Weather.
9.00 London Weather.
9.05 Film: Arachnophobia. Premiere. Mild-mannered doctor Jeff Daniels is forced to overcome his intense fear of spiders when his house in a small California coastal town is besieged by a horde of killer arachnids. Comedy horror, also starring John Goodman, Julian Sands and Brian McNamara (1990).
11.05 The Big Fight – Live. America's Leeonzer Barber v Welshman Nicky Piper for the WBO Light Heavyweight Championship, plus Robbie Regan v Duke McKenzie. Introduced by Gary Newbon from Cardiff.
11.50 Film: Gideon Oliver: Tongs. Prof Oliver's devotion to a student plunges him into a feud between warring families in New York's Chinatown. Thriller, starring Louis Gossett Jnr (TVM 1988); ITN News Headlines.
1.35 The Big E.
2.30 New Music.
3.30 Travel Trails.
3.55 European Nine-Ball Pool Masters.
4.50 BPM.

CHANNEL4

5.00 4-Tel on View. 6.30 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzetta Football Italia. 12.00 The People's Game. 12.30pm Safe TV.

1.00 The Three Stooges. Curly applies for the job of sheriff in a lawless western town.
1.25 Racing from Doncaster. The 1.35 River Don Novices' Hurdle, 2.05 Mansion House Handicap Chase, 2.40 Great Yorkshire Chase Handicap, and the 3.10 Yorkshire Handicap Hurdle Race.
3.35 Film: Weekend in Havana. New Yorker Alice Faye is wooed by rival suitors Cesar Romero and John Payne during a Havana jaunt. Musical, with Carmen Miranda (1941).
5.05 Brookside.
6.30 Right to Reply. Viewers' reports and opinions on recent TV programmes, with guest presenter Jon Snow.
7.00 A Week in Politics. Informative and irreverent recap of the week's parliamentary stories; **News Summary.**
8.00 Kingdoms in Conflict. Australian film-makers Des and Jan Bartlett set out to document the epic 2,500-mile migration of 300,000 wild snow geese from Hudson Bay in Canada to the Mississippi, but were adopted along the way by 14 orphaned goslings who mistook the couple for their natural parents. The programme reveals how the Bartletts coped with the responsibility and helped their new charges make the difficult journey south.
9.00 NYPD Blue. Kelly is assigned to investigate a strangling, and Licalsi's father is implicated in the Marino case. Sipowitz exacts his own brand of revenge on Giardella.
10.00 Film: The Prime of Miss Jean Brodie. Maggie Smith stars as a teacher at an Edinburgh girls' school in the 1930s, whose attempts to impose her unconventional views on pupils have tragic repercussions. Oscar-winning drama based on Muriel Spark's novel, with Robert Stephens, Celia Johnson and Gordon Jackson (1969).
12.05 Broadway Stories.
12.40 Film: Thank You Mr Moto. Peter Lorre as the Japanese sleuth competes with a ruthless gang to find a hoard of lost treasure. Thriller, also starring Pauline Frederick (1937).
1.55 Herman's Head.
2.25 The Word.
3.25 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-
ANGLIA:
1.05 Anglia News. 1.10 Cartoon. 1.20 The Munsters Today. 1.45 Knight Rider. 2.40 International Athletics. 5.00 Anglia News and Sport 9.00 Anglia Weather.
BORDER:
1.05 Border News. 1.10 Mystery at Castle House. (TVM 1981) 2.40 International Athletics. 5.00 Border News and Weather
CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 WCW Worldwide Wrestling. 2.40 International Athletics. 5.00 Central News 5.05 The Central Match - Goals Extra. 9.00 Local Weather.
CHANNEL:
12.30 Heidi. 1.05 Channel Diary. 1.10 Sail the World. 1.40 NBA Basketball. 2.40 International Athletics. 4.55 Channel News. 5.00 Puffin's Pla(i)ce.
GRAMPIAN:
12.30 Monadh Ard (Moonacre). 1.05 Grampian Headlines 1.10 Telefios. 1.40 Speaking Our Language. 2.10 Sail the World. 2.40 International Athletics. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.00 Grampian Weather.
GRANADA:
1.05 Granada News 1.10 Mystery at Castle House. (TVM 1981) 2.40 International Athletics. 5.00 Granada News 5.05 COPS.
HTV:
1.05 HTV News. 1.10 Sail the World. 1.40 The A-Team. 2.40 International Athletics. 5.00 HTV News and Sport 9.00 HTV Weather.
HTV Wales as HTV except:
5.05 Cartoon Time.
MERIDIAN:
12.30 Heidi. 1.05 Meridian News. 1.10 Sail the World. 1.40 NBA Basketball. 2.40 International Athletics. 5.00 Meridian News.
SCOTTISH:
12.30 Scotsport Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telefios. 2.10 Starting from Scratch. 2.40 International Athletics. 5.00 Scotland Today 5.05 Coach.
TYNE TEES:
1.05 Tyne Tees News. 1.10 The Munsters Today. 1.40 Wanted: Dead or Alive. 2.10 Yesterday's Heroes. 2.40 International Athletics. 5.00 Tyne Tees Saturday
ULSTER:
12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Movies, Games and Videos. 1.50 Cartoon Time. 2.05 WCW Worldwide Wrestling. 2.40 International Athletics. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 9.00 UTV Live News
WESTCOUNTRY:
1.05 Westcountry Weekend Latest. 2.10 On the Grid. 2.40 International Athletics. 5.00 Westcountry Weekend Latest.
YORKSHIRE:
1.05 Calendar News. 1.10 The Munsters Today. 1.40 Wanted: Dead or Alive. 2.10 Yesterday's Heroes. 2.40 International Athletics. 5.00 Calendar News.
S4C Wales as Channel 4 except:-
7.00 Early Morning. 12.00 Heart's Desire. (1935) 6.30 Cwlwm Serch. 7.00 Jacpot. 7.30 Traed Oer. 8.00 Tocyn Tymor. 9.00 Llygaid Sgwar. 9.20 Newyddion. 9.30 Short Stories: Dreams on Ice. 10.00 NYPD Blue. 10.55 Maurice. (1987)

SUNDAY

BBC1

7.00 Match of the Day: The Road to Wembley. 8.15 Breakfast with Frost. 9.15 Glimpses of God. 9.30 This is the Day. 10.00 See Hear! 10.30 Deutschland Heute. 10.45 Italianissimo. 11.00 Careering Ahead. 11.30 Spain on a Plate.

12.00 Family Affairs. Advice on how to avoid skin cancer and cope with the trauma of stillbirth.
[illegible].30 CountryFile. John Craven covers the latest rural issues.
[illegible] Weather for the Week Ahead.
[illegible] News.
[illegible] On the Record. John Humphrys talks to Michael Howard, home secretary.
2.00 EastEnders.
3.00 Match of the Day: The Road to Wembley. Norwich City v Manchester United. Live coverage from Carrow Road of the clash between UEFA Cup heroes Norwich and runaway Premiership leaders United.
5.00 Smokescreen. Sheringham prepares to open his cinema – but the devious Albert Gold plans to put a damper on the proceedings.
5.30 Antiques Roadshow. Hugh Scully and the team visit Beaumaris in Anglesey.
6.15 News.
6.25 Songs of Praise.
7.00 As Time Goes By. Lionel finally moves in with Jean – but how will they adapt to the joys of cohabitation? Judi Dench and Geoffrey Palmer star.
7.30 The House of Eliott. Drama set in the 1920s, starring Stella Gonet and Louise Lombard.
8.25 So Haunt Me. Yetta resolves to break up Dolly and Herbert's blossoming romance, and sees her opportunity when the Rokebys' house is used for a police stakeout.
8.55 News and Weather.
9.10 Headhunters. Business pressures finally take their toll on Simon, who decides to escape London for the tranquillity of the countryside – but his colleagues soon turn up and try to coax him back to work. Corporate drama, starring James Fox, Francesca Annis and Jeremy Child.
10.00 Smith and Jones.
10.30 Heart of the Matter.
11.05 Steven Spielberg's Amazing Stories. A couple's eight-year-old daughter reappears 40 years after her death. Billy Green Bush stars.
11.30 Film: Villa Rides! An American pilot is persuaded to join the 1912 Mexican uprising. Action adventure, starring Yul Brynner and Robert Mitchum (1968).
1.25 Weather.
1.30 Close.

BBC2

7.30 Penny Crayon. 7.40 Playdays. 8.00 The Little Green Planet Show. 8.15 Blue Peter. 9.00 Draw Me. 9.15 Simon and the Witch. 9.30 The Animals of Farthing Wood. 10.00 Incredible Games. 10.25 Grange Hill. 10.55 As Seen on TV. 11.20 Maid Marian and Her Merry Men. 11.45 The O-Zone. 12.00 Dr Who: The Green Death. 12.25pm The Fugitive. 1.15 The Phil Silvers Show.

1.40 The Living Soap.
2.00 Around Westminster. Weekly political update.
2.30 Animation Now.
2.40 Sarajevo Compilation. Round-up of reports from the war-torn city.
2.50 Film: The Wizard of Oz. Classic musical fantasy, starring Judy Garland as a young girl who sets off on a colourful journey when her dream of flying over the rainbow comes true (1939).
4.30 Ski Sunday. The Men's Downhill from Chamonix in France, and the Women's Downhill from Garmisch-Partenkirchen in Germany.
5.10 Rugby Special. Bristol v Harlequins. Coverage of the top match in the Courage League.
6.10 Nomads of the Wind.
7.00 The Money Programme. The uncertain future of genetic engineering in Britain which, in spite of its allegedly immense potential in the fields of food production and medicine, has gained a negative image in the wake of movies such as Spielberg's Jurassic Park and the controversy currently raging over "designer babies".
7.40 The Lost Steptoes. Harold is devastated when he returns home to find robbers have stolen his prized pottery collection. Last in series.
8.10 Moving Pictures. Behind-the-scenes look at the crane.
9.00 Comic Asides. The Honeymoon's Over, by Paul Whitehouse and Charlie Higson. Newlyweds return from honeymoon to face an uncertain future together. Last in series.
9.30 Auction. Sotheby's vintage and classic car expert Malcolm Barber examines an immaculately preserved antique railway carriage once owned by Queen Victoria and now stored inside a British bungalow.
10.00 The Menendez Trial. The extraordinary story of Erik and Lyle Menendez, who were accused of murdering their parents in the family's Beverly Hills mansion.
11.05 Film: The Leopard. Burt Lancaster stars in this period drama about the domestic life of an Italian nobleman at the time of Garibaldi. Also starring Claudia Cardinale (1963).
1.55 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interviews with Clare Short and Lord Tebbit.
2.00 Cartoon Time.
2.10 Animal Country. Sarah Kennedy visits comedy writer Carla Lane, whose house is a sanctuary for animals in need.
2.40 Film: A Summer Story. Premiere. A young London lawyer (James Wilby) falls for a farm girl during a hiking holiday in Dartmoor. Romantic drama, also starring Imogen Stubbs (1988).
4.30 Baywatch. Bathers are terrified after hearing rumours about a sea monster in the bay. David Hasselhoff stars.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Film: Spies Like Us. Chevy Chase and Dan Aykroyd star as two incompetent US state department officials unwittingly used as decoys on a deadly mission to thwart Russian activities in Pakistan. Espionage comedy, with Steve Forrest, Bernie Casey and Donna Dixon (1985).
8.15 A Touch of Frost. A junior officer is plunged headlong into danger when Frost takes a desperate gamble to trap a rapist.
10.15 Michael Winner's True Crimes. Reconstruction of the events which led to the arrest and conviction of telephone sex pest Simon Wadland, a married Northamptonshire farmer who plagued more than 500 victims with terrifying calls in 1989. Starring Richard Long and Dean Harris.
10.45 ITN News; Weather.
10.55 London Weather.
11.00 The Big Fight Special. Julio Cesar Chavez v Frankie Randall: Felix Trinidad v Hector 'Macho' Camacho; Azumah Nelson v 'Jesse' James Leija. Triple-bill of World Championship boxing from Las Vegas.
12.00 Sail the World.
12.30 Cue the Music.
1.35 Get Stuffed; ITN News Headlines.
1.40 War of the Worlds.
2.35 Get Stuffed; ITN News Headlines.
2.40 Music from the Circus.
3.05 Snooker.
5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.45 The Lone Ranger. 10.15 Saved by the Bell. 10.45 Planet of the Apes. 11.45 Little House on the Prairie. 12.45pm Bush Tucker Man.

1.15 Football Italia. Action from Napoli v Roma.
3.30 Film: Charley's Aunt. Classic farce, starring Jack Benny as an Oxford student who dons a dress to act as chaperone at a romantic engagement. With Richard Haydn (1941).
5.00 Moanologue. Cartoon collection of personal problems.
5.10 News Summary; Weather.
5.15 High Interest: Spies, Bugs and Business. The underhand tactics used by some companies to gain a competitive edge, including bugging, computer hacking and the use of private investigators. The programme reveals how UK companies are increasingly resorting to industrial espionage to keep pace with their French, Japanese and South Korean counterparts, and looks at the counter-intelligence firms set up to combat such practices.
6.00 Moviewatch. Public reviews of Wayne's World II, Martin Scorsese's Age of Innocence, and Steven Berkoff's film adaptation of Decadence.
6.30 The Cosby Show.
7.00 Time Team. Bristol University's Mick Aston, actor Tony Robinson and the archaeology group investigate a site at Much Wenlock in Shropshire.
8.00 The Empress. David Gale's opera based on Wedekind's 1890 play The Empress of Newfoundland. A depressed young ruler (Amanda Dean) rejects a succession of rich, intelligent suitors in favour of a muscleman, whose feats of strength transport her to the heights of bliss. But tragedy arises when he turns down her advances and flees. Composed by Orlando Gough, and co-starring Gladiator star Mike Ahearne, Valerie Morgan and chart-topping acapella group The Flying Pickets.
9.00 Film: Raising Arizona. Zany comedy about a couple who kidnap a tycoon's baby when they learn they are unable to have children. Nicolas Cage and Holly Hunter star (1986).
10.45 Superbowl XXVIII. In a re-run of last year's Superbowl, NFC champions Dallas Cowboys hope to repeat their victory over AFC holders Buffalo Bills. Close times may run late.
3.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-
ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 2.00 Highway to Heaven. 2.50 Wish You Were Here? 3.20 Carry On Up the Jungle. (1970) 5.00 Bullseye. 5.30 Animal Country. 6.00 Anglia News on Sunday 10.55 Anglia Weather.
BORDER:
12.30 Gardener's Diary. 12.55 Border News. 2.00 The Granada Match - Update. 3.05 Highway to Heaven. 4.00 Coronation Street. 5.00 The Scottish Bowls Players Championships. 6.15 Border News.
CENTRAL:
12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 Travel Trails. 2.45 Diana: A Princess Alone. 3.45 Carry On Up the Jungle. (1970) 5.15 Bullseye. 5.45 Hit the Town. 6.15 Central News 10.55 Local Weather.
CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejornal. 2.00 The Pier. 2.25 The Listings. 2.30 The Big Fight Special. 3.30 Murder by the Book. (TVM 1987) 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Channel News. 11.00 Father Dowling Mysteries.
GRAMPIAN:
11.00 Sunday Service. 11.45 Eikon. 12.00 This Sunday. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Great Planes. 3.05 Highway to Heaven. 4.00 Movies, Games and Videos. 4.30 Animal Country. 5.00 The Scottish Bowls Players Championships. 6.10 Appeal. 6.15 Grampian Headlines 10.55 Grampian Weather.
GRANADA:
12.25 Granada On Sunday. 12.55 Granada News 2.00 The Granada Match - Update. 3.05 Von Ryan's Express. (1965) 5.20 Coronation Street. 6.15 Granada News
HTV:
12.25 Meredith on Sunday. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 The West Match. 3.00 Diana: A Princess Alone. 4.00 The Deadly Triangle. (TVM 1977) 5.15 The Great Bong. 5.45 Journeyman. 6.15 HTV News. 10.55 HTV Weather.
MERIDIAN:
12.30 Seven Days. 12.50 Meridian News. 2.00 The Pier. 2.25 The Listings. 2.30 The Big Fight Special. 3.30 Murder by the Book. (TVM 1987) 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Meridian News. 11.00 Father Dowling Mysteries.
SCOTTISH:
11.00 Sunday Service. 11.45 Eikon. 12.00 This Sunday. 12.30 Wemyss Bay 902101. 12.55 Scotland Today. 2.00 When Time Ran Out. (1980) 4.00 Movies, Games and Videos. 4.30 Border Raid. 5.00 The Scottish Bowls Players Championships. 6.10 Scotland Today 6.15 Appeal.
TYNE TEES:
12.25 Tyne Tees Newsweek. 2.00 Highway to Heaven. 2.55 Wild in the Country. (1961) 4.55 Baywatch. 5.50 Tyne Tees Weekend. 10.55 Local Weather.
WESTCOUNTRY:
12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Sail the World. 2.30 Sky West and Crooked. (1965) 4.20 Roadrunner. 4.50 Getaways. 5.20 Highway to Heaven. 6.15 Westcountry Weekend Latest.
YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 Wild in the Country. (1961) 4.55 Baywatch. 5.50 Calendar News and Weather 10.55 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday. 1.30 Ken Dodd's Comedy Club. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Joe Loss: The Legacy. 5.00 Cinema 2. 5.30 Nick Barraclough. 6.00 Gilbert O'Sullivan Concert. 7.00 Thicker Than Water. 7.30 Best of British. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3
6.55 Weather. 7.00 Record Review. 9.00 Building a Library. John Warrack looks at Haydn's String Quartet in D, Op 64 No 5. 10.10 Record Release. Maxwell Davies, Tippett, Henze, Gounod. 12.00 Spirit of the Age. 1.00 News. 1.05 Selected Poets. 1.20 The Fine Song. 2.05 Bristol Lunchtime Concert. 3.00 Vintage Years. 5.00 Jazz Record Requests. 5.45 Music Matters. The musical activities of the British Council. 6.50 Live from the Met. Donizetti's Lucia di Lammermoor. 9.50 The Reith Lectures: Managing Monsters. New series. Marina Warner uses mythic themes to present a critique of Britain. 10.20 Outside in Festival. Recorded at the 1993 Festival in Crawley. Last in series. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box. Financial advice.
12.25 Just a Minute.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444. Phone-in response programme.
2.30 The Entertainer. Final play in the John Osborne season.
4.00 Erin Through the Mists of Time.
4.30 Science Now.
5.00 File on 4. Events at home and abroad.
5.40 View from the Fish Queue.
6.00 News and Sports Round-Up.
6.25 Week Ending.
6.50 The Locker Room.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre: The Courts of the Morning. John Buchan's story of high adventure in South America.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Quote Unquote.
10.45 Testing Times. Graphologists.
11.00 Mirrored in Music.
11.30 Fear on 4. Vicious Fish, by John Duquemin and Gregor Grice.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5
6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Get Set.
10.30 The Teenage Detective.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.06 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 The Green Hornet.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:
6.00 News; British News; The World Today. 6.30 Europe Today. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith: A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 Printer's Devil. 10.01 Jazz Now and Then. 10.15 Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From the Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith; Multitrack Three. 12.45 Sports Round-up. 1.00 Newshour. 2.00 News Summary; John Peel. 2.30 Sportsworld. 3.00 News; Sportsworld. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News Summary; Sportsworld. 5.30 BBC English. 6.00 Newsdesk. 6.30 Heute Aktuell. 7.00 Nachrichten. 7.05 Weekend Feature. 8.00 News; Words of Faith; Personal View; Jazz For The Asking. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary. 1.01 Play of the Week: After The Lions. 2.00 Newsdesk. 2.30 Way Out West. 3.00 News; British News; Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Alexis Korner's Rhythm n Blues. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 The Music of Bert Kaempfert. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3
6.55 Weather. 7.00 Sacred and Profane. Haydn, Gounod, Mozart. 9.00 Brian Kay's Sunday Morning. Salten, Chopin, Ponchielli, Mozart, Trad arr Britten, Ravel, Telemann, Humperdinck, Vorisek, Poulenc, William Alwyn, Bantock, Schubert, Anon, Beethoven. 12.15 Music Matters. 1.00 News. 1.05 From the BBC Proms 1993. 2.45 Brodsky Quartet. 4.10 From Russia to Finland. Mussorgsky, Shostakovich, Sibelius. 5.45 Making Waves. With composers Graham Fitkin and James Clapperton. 6.30 Joan Rodgers. Wolf, Faure, Tchaikovsky. 7.30 Sunday Play: My House in Umbria. By William Trevor. 9.00 Music in Our Time. Louis Andriessen, John Oswald, Foday Musa Suso, Schnittke. 10.10 Choir Works. Charpentier. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Sir Harry Secombe and Julie Walters. On behalf of the Leukaemia Care Society.
9.00 News.
9.10 Sunday Papers.
9.15 Letter From America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 Itchy Feet. Travellers' tales.
12.15 Desert Island Discs. With Dame Cicely Saunders.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The War of the End of the World by Mario Vargas Llosa.
3.30 Pick of the Week.
4.15 Analysis.
5.00 John Cole's English Journey. Lincoln.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Keeping the Faith.
6.30 Now Wash Your Hands! The uses of urine.
7.00 The Parts.
7.30 Eureka.
8.00 Dangerous to Know.
8.30 Believing in Britain.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 With Great Pleasure.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 (LW) As BBC World Service.
12.43 (FM) Close.

BBC RADIO 5
6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Captain Kidd and the First Fifteen.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
2.00 A Century Remembered.
2.30 Over the Moon, Sick as a Parrot.
3.00 Sunday Sport.
6.00 Labour of Love.
6.30 Education Matters.
7.15 A Family Learns Spanish.
7.45 Italianissimo II.
8.15 Language Live.
9.30 Hair in the Gate.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:
6.00 News; British News; Letter From America. 6.30 Jazz For The Asking. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Ray On Record. 9.00 News; World Business Review. 9.15 Short Story: International. 9.30 Folk Routes. 9.45 Sports Round-up. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 News Summary; Play of the Week: After The Lions. 1.00 Newshour. 2.00 News Summary; This Is Your Sport. 2.30 Anything Goes. 3.00 News; Concert Hall. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News; World Business Review; BBC English. 6.00 Newsdesk. 6.30 News in German. 8.00 News; Words of Faith; Folk Routes. 8.30 Europe Today. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; World Business Review; Ray On Record. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; Opera of the Week. 1.45 Sharp Talents. 2.00 Newsdesk. 2.30 Composer Of The Month: Sergei Prokofiev. 3.00 News; British News; Sports Roundup. 3.30 Anything Goes. 4.00 News; Unconsidered Trifles. 4.30 BBC English. 4.45 News and Press Review in German.

CHESS

Michael Adams, Britain's most promising talent at age 22, has a weakness. Playing white, he is world class with his favourite 1 e4, while defending 1 e4 as Black he has excellent results with the Caro-Kann Defence 1 e4 c6, following the model of Anatoly Karpov.

The Achilles heel for Adams is his lack of a reliable defence to the queen's pawn, 1 d4 – and unluckily for the Cornishman, this is the normal opening of his opponent in the Fide world championship candidates series, Boris Gelfand.

At Wijk aan Zee this week, Adams three times improvised with attempted surprises against Gelfand's 1 d4. Each time he was crushed as the Belarussian, impeccably schooled by Soviet trainers, outplayed him. Adams first tried the Queen's Gambit Accepted 1 d4 d5 2 c4 dxc4, then the offbeat 1 d4 d6, then the Benoni 1 d4 Nf6 2 Nf3 c5. Gelfand just replied quietly, waiting for Adams' unfamiliarity with the resulting middle games to produce errors.

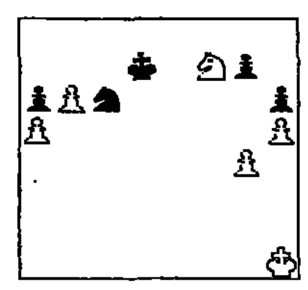
Gelfand won 5-3, his three victories offset by one for Adams and four draws.

Meanwhile, top seeded Vishy Anand qualified for the next round (V Anand, White; A Yusupov, Black; 5th game 1994).

1 e4 e5 2 Nf3 Nc6 3 Bb5 a6 4 Ba4 d6 5 c3 f5 6 exf5 Bxf5 7 0-0 Bd3 8 Re1 Be7 9 Bc2 Bxc2 10 Qxc2 Nf6 11 d4 0-0 12 d5 e4 13 Ng5 Ne5 14 Ne6 Qd7 (hoping for 15 Nxf8? Rxf8 with a strong attack, but missing the simple reply) 15 Nd2! e3 16 Rxe3 Nxd5 17 Nxf8 Nxe3 18 Qxh7+ Kxf8 19 fxe3 Re8 20 e4 d5 21 Nb3 dxe4 22 Be3 Bf6 23 Rf1 Ng4 24 Bd4 Qc6 25 Bc5+ Resigns.

No 1006

Russia's Mark Taimanov, 68, has won the world senior



championship for over-60s, belated consolation for his famous 0-6 defeat against Bobby Fischer. Can you find Taimanov's championship move as White (to play) in this decisive endgame against the runner-up Gurgenidze?

Solution Page 22

Leonard Barden

BRIDGE

This hand, from teams-of-four of good standard, resulted in a game swing:

	N	
	♠ 5 4 2 ♥ A 9 ♦ K Q 9 6 5 ♣ 8 5 2	
W ♠ – ♥ Q J 10 7 3 ♦ 10 8 4 3 ♣ Q 10 7 6		**E** ♠ Q 8 6 ♥ K 6 5 2 ♦ A J 7 ♣ J 9 4
	S ♠ A K J 10 9 7 3 ♥ 8 4 ♦ 2 ♣ A K 3	

With North-South vulnerable, North dealt. After two passes, South's bid of four spades opened and closed the brief auction.

In room one, West led heart queen, won by dummy's ace, and the declarer returned the two of spades to his king, West showing out. Then, the diamond two was led to queen and ace, East cashed his heart king and switched to the four of clubs. Winning with his ace, the declarer made his club king and cut adrift with the three. East, who had done some counting and knew that South held nothing but trumps in his hand, led back a diamond. Declarer had to ruff and concede one spade trick to the queen – one down.

Let us replay the hand: we let the heart queen hold trick one – better technique. It might even induce a switch. But West follows with the knave of hearts. We take with the ace and return the spade two, finessing our knave. This wins, we draw the two remaining trumps and claim our contract with seven spade tricks, two clubs and one heart.

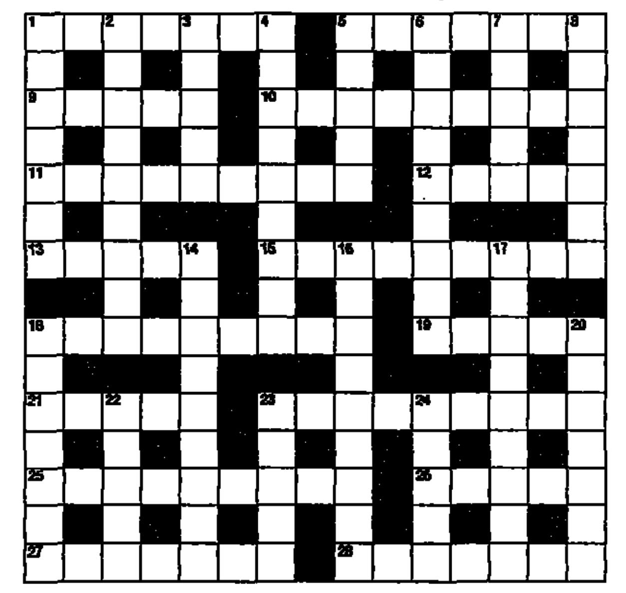
But suppose West has the spade queen? If it loses, West returns a diamond to queen and ace, we win East's spade return, and now we have an entry in the five of spades to enjoy the established diamond king. Agreed?

E.P.C. Cotter

CROSSWORD

No. 8,366 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 9, marked Crossword 8,366 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday February 12.

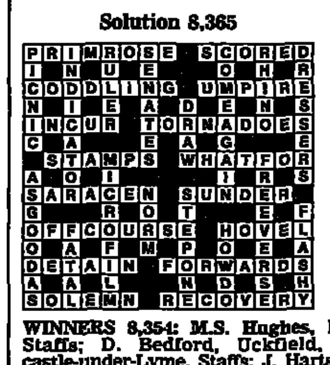


Name...
Address...

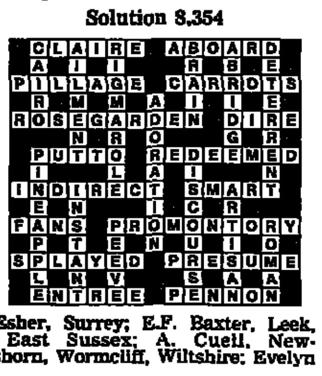
ACROSS
1 Trapped in a chateau? (7)
5 Read in the country (but in Latin) (7)
9 Showgirl, decorative when coming back in the second half (5)
10 But it is not like a batter pudding! (5,4)
11 Baseball player in pants and blouse, possibly (9)
12 Hasty prince in attack (5)
13 Tendency of old penny to chink? (5)
15 Winter of discontent, say? (3-6)
18 City's a-thrill permanently (9)
19 Row junk (5)
21 Band to mature without women (5)
23 Evacuation authorisation? (9)
25 What is chef doing with a drumstick? (9)
26 Cosmetic in mediocre amounts (5)
27 Oriental quarterback (7)
28 Sort determined to arrange printing matter (7)

DOWN
1 Blinking, some say, is reduced in retirement (7)
2 Plays in three sets? (9)
3 Poorest meadow is over the way (5)
4 First sound we hear from Aesop? (9)
5 Round, penny-piece (5)
6 No one up without additional clauses (9)
7 Fashion label making an impression? (5)
8 Debtor needs change in China (7)
14 Rear-end shadow length? (9)
16 Why GI left to train as a boxer (9)
17 Dogs the queen keeps in Wells? (9)
18 The French bilge turns out to be decipherable (7)
20 Assume president is in nasty temper (7)
22 Polar explorer put out to sea (5)
23 This terrier can have Irish in it (5)
24 To summarise, military policeman has a day out (5)

Solution 8,365



Solution 8,354



WINNERS 8,354: M.S. Hughes, Esher, Surrey; E.F. Baxter, Leek, Staffs; D. Bedford, Uckfield, East Sussex; A. Cuell, Newcastle-under-Lyme, Staffs; J. Hartshorn, Wormcliff, Wiltshire; Evelyn Louwes, Bournemouth.

A Major diversion off the A1

***Dominic Lawson** says the Tory party should foot Gillian Taylforth's libel bill*

We are told, with a certainty and roundness of figure that should immediately arouse suspicion, that Gillian Taylforth and her lover, Geoff Knights, will have to pay bills of £500,000 as a result of losing their libel action in the High Court against *The Sun* newspaper.

For those of you who have spent the past few weeks on another, less prurient planet, Taylforth, an actress, claimed that *The Sun* libelled her by publishing that she had fellated Knights across the front seat of a Range Rover parked on the "hard shoulder" of a slip road leading on to the A1 motorway.

It is at least questionable whether such an accusation was defamatory of Taylforth. Most men with whom I have discussed the matter seem to think that the actress should be proud and not ashamed of the (highly co-ordinated) accomplishment of which *The Sun* wrote.

And, more surprisingly perhaps, most of the women with whom I have discussed the matter have said that Taylforth was using a lay-by for its traditional purpose.

But, as the judge in the case rightly surmised, the point the jury had to decide was not whether the alleged actions were such as would lead a reasonable member of the public to think less of Taylforth.

No, the judge said, it is simply a matter of who was lying to the court: the policeman who said Taylforth did "it", or the woman herself, who said that she did not. One of these two people must have been lying, said the judge, and the jury, by a majority of 10 to 2, concluded that it was the actress who was telling a whopper.

If the jury was right, and who could suggest otherwise, then Miss Taylforth had been committing perjury on a grand scale.

However, as everyone seems to be saying, she must now suffer the anguish of footing a £500,000 bill, included in which are *The Sun's* costs of finding a private video showing Taylforth doing to a German sausage what the court decided she had subsequently done to Geoff Knights.

From that figure of £500,000, if we believe it, we must deduct the considerable sum Taylforth has received for selling her story to the *Daily Mirror*. How should she raise the rest?

I think the government or, more properly, the Conservative Party, should pay the rest of Taylforth's bill of costs.

Were it not for the fact that the public had been so completely gripped by the account given to the High Court of her adventures, then there would have been no other distraction from the awful pounding that Major and colleagues have been receiving over the matter of increased taxation.

Taylforth has performed a service of incalculable political value by pushing this enormously embarrassing matter – far more embarrassing than anything which takes place on the nation's slip roads – off the top of the front pages.

It is, of course, a mystery why anyone should be surprised at the size of the tax demands which are now landing on doorsteps throughout the land.

That these demands would be sent, was spelt out in the clearest possible terms by Kenneth Clarke, the chancellor, in his Budget speech in November. That speech was cheered to the echo by Conservative MPs, and universally praised by the press. It baffles me why both these two groups should now be complaining, when Clarke has done no more than keep his word.

For the Labour Party, however, the matter is strictly analagous to the Gillian Taylforth libel action. Somebody is lying, and they claim that Major was telling porky pies during the last election campaign when he pledged that the Conservatives, if re-elected, would reduce, not increase, taxes.

Major, in the spirit of Taylforth, says that he was telling the truth, but that his actions have been misinterpreted.

Taylforth says she was merely loosening Knights' trousers to soothe an attack of pancreatitis. Major says he merely had no idea just how badly the economy was doing.

What he has not yet admitted is that the economy was in such a terrible state because the government had been giving the D-Mark the same attentions that Taylforth once lavished on a German sausage. In public, too.

■ *Dominic Lawson is editor of the Spectator.*

Private View / **Christian Tyler**

Ethical debate still at the embryo stage

Provided no one gets hurt, does it matter where babies come from? If it does matter, do we know where to draw the line?

Society, we assume, decides what scientists shall do – hence the latest alarms about egg-farming and designer babies. But scientific breakthroughs will themselves redefine social attitudes.

For the next four months the British public is being invited to join an ethical debate about overcoming the severe shortage of human eggs for embryo research and the treatment of infertile women.

The Human Fertilisation & Embryology Authority, a committee of experts and prominent citizens, wants to know what the public thinks about taking eggs or ovarian tissue from corpses and even (when the procedure becomes reliable) from aborted foetuses.

First reactions have been predictable. For a second opinion, I went to see Robert Edwards, the Cambridge professor who brought test-tube babies into the world, at the splendid Jacobean house outside Cambridge where he and Patrick Steptoe founded their clinic.

It has taken the public 20 years to accept *in vitro* fertilisation (IVF) and Prof Edwards, a distinguished scientist, knows all there is to know about controversy. He has even had to sue for libel.

He gives the impression of one who is immune to criticism but not to contradiction. Yet from behind the set face and flat northern accent there gradually emerged a humane and pleasant subtlety.

Not surprisingly, Edwards is a militant libertarian. He seeks the maximum possible freedom for scientific inquiry and the minimum of statutory intervention into what he regards as a humane endeavour to satisfy a fundamental human desire, which is to produce children.

I asked him how the latest outbreak compared with the test-tube baby furore.

"There have been endless controversies, all of them headline news. This is only the latest. But could I say that we started the ethical debate in the whole field in 1971." He was referring to an article he wrote with David Sharpe, an American academic lawyer, for *Nature* magazine. There he called for elaboration of the issues "in order to give time for defining and evolving social attitudes on which to base rules of conduct for scientists and society."

Some scientists, I said, argue theirs is a pure, untrammelled, discipline and it's not for them to take the ethical decisions.

"I've never, ever believed that. I've always said that in the early stages of investigation the crucial roles are played by the scientists and doctors."

Would you yourself use foetal ovaries?

"I would grow them at the present time to the stage before fertilisation," he said. "I would want to know they're perfectly normal before I take any further step. That will probably take years. Then I would probably fertilise some and grow them as embryos.

"I would not transfer them (into the surrogate mother) because there could be considerable social backlash to this work.

"In any ethical debate one must always put down a period of two to three years for social balance to be established. The effect of many scientific developments on society comes as a shock ... the 'yuk factor' or whatever you call it."

Would you treat single women?

"I would, yes. Provided they had ethical counselling and there was detailed ethical investigation of their background." Patients usually came on referral, their backgrounds known. But he recalled that one would-be patient turned out to be a lesbian.

Should there be an age limit?

Prof Edwards quoted the Biblical story of Sarah, and observed that the oldest 'artificial' pregnancy to date was of a woman of 61 or 62. "Between 50 and 60 the medical risks to mother and child are no greater than those of a younger woman, with proper care. Had there been medical or scientific contra-indications I would have said this is out. But I have not seen those contra-indications.

'I've never met anyone in my life who was worth cloning' – Professor Robert Edwards, test-tube baby scientist

"It has moved from being a scientific question to a social one. And I feel very strongly that individual liberties here are being threatened. I see no reason why a woman of 60 should not have a baby. I don't know if I would go to 70 or not. I always say: 'Ask the question when you know the work can be done.'

Should people be able to choose the baby's colour?

"If they say they do not let the colour of skin affect their relationships with anybody, that they are non-racist, then you should not mind if a white lady wishes to have a black baby."

Can't you see any ethical objection?

"Not really. If two white patients come and ask for a black baby I would wonder about that. But if it's a white man and black woman, as it usually is, and the colour of the child is very obviously going to be a problem, then provided they were counselled, I would say very well."

What about choosing sex?

"Again, I think I must be very liberal: I do not see any great dangers in choosing the sex of your children provided certain controls are exercised: the most serious thing that can happen is that you will get an imbalance of sexes as in China. But the most interesting aspect, which is never discussed, is what the children would say and feel if they knew they had been chosen as boys or girls by their parents."

Edwards himself is the father of five girls, of whom two are non-identical twins. He would not, however, seek to create twins 'to order'.

We discussed the problems of medical consent and I asked him whether, paradoxical as it might sound, a child could have rights even before its conception.

"I am increasingly thinking so. It is quite clear in American law and increasingly in British law that the *foetus* has rights." These rights 'matured' at birth, he explained, and children had been able to sue for damage *in utero*, even for 'wrongful birth' if they emerged grossly abnormal.

Do women have a right to bear their own children?

"The right to have a baby is not absolute. There are no absolutes. But I think the transmission of generations is one of the most fundamental areas of human activity."

Our notion of rights and duties has come from the Judaeo-Christian tradition but in today's secular society it is framed, ultimately, by Parliament. Edwards said he had been impressed by the sophistication of debates, especially in the House of Lords.

"I think our democracy does give us the basis for open and fair discussion. We have to tolerate the newspaper headlines and the pressures. And that, by the way, is incredibly difficult and exhausting.

"But if you enter a field like this it is part of what you must expect. You can no longer work in isolation in the laboratory. You must accept the implications of your own decisions and defend them. It is very wise to take advice from the ethical committee as soon as possible."

Have you been accused of bending your ethics to suit your profession?

"As far as I know, the opinions I gave in 1971 and after have not changed at all. One always fears, being stuck close to a field all one's life, that you start making decisions that aren't being examined critically enough. You can get very introverted. So I'm delighted to see the recent debates."

I asked him to name the things he would never do. Cloning was one. (By cloning he means not egg-splitting but replicating an existing or deceased person: "I've never met anyone in the world who is worth cloning, and that's been my stock answer for 10 years.")

Another was implanting human embryos in animals. He would also be very wary of genetically "typing" foetuses if that meant them being marked down for abortion. Better, he said, to intervene and attempt to cure the genetic abnormality.

"I think all of us are striving to improve life, not to do down life. There's a natural tendency for many people to say No, because they've grown up in a certain set of circumstances.

"But what amazes me is the intelligence of the ordinary citizen. When it is explained clearly, they can then ask the same questions *we* ask."

We are interfering with nature already, I said finally. Is there some philosophical absolute here which we call 'the human being' which should not be further penetrated by medical science?

"We're nowhere near that point yet, if there is a point – nowhere near. The colour of skin is about the only characteristic you could usefully select. All the other things about brain, intelligence – these won't come through molecular biology.

"I don't think the things we can do at the moment are enough to make us challenge the deep concept of the human because the interference is so minimal.

"Unfortunately, Man has many deficiencies, diseases and disorders that in my view do not enhance the value of Man. We have to come to the idea that we may be able to use all our knowledge to make Man a little better, to avoid disease, or to confer ability. But, my word, that's when the philosophical discussion will really start!

"That question will come when we have learned two fundamental steps: how to put genes into embryos, and how to tell exactly what those genes will do. And I would say that is probably 100 years away – a lifetime, anyway."

Rex Features

Tunnel of sighs

Michael Thompson-Noel

There are times when I feel sorry for John Major and his doomed government. Compared with the age of the universe, the duration of these pulses of sorrow for Major and his government is usually as brief as the neural twitch that would flash through the brain of a vole if you showed it a Picasso.

But I am prey to them occasionally. I had one this week, a tiny spasm of sympathy for Major and his government over the way they are being lambasted for arrangements pertaining to the Channel Tunnel, which, in case you are out of touch with developments in the world of macro-engineering, has cost stupendous sums of money and opens shortly, providing a high-speed connection between England and France: the first connection, via land, between England and continental Europe since the last ice age, when polar bears strolled unchallenged between Normandy and Kent.

Critics are vilifying Major's government on two fronts. First, opposition MPs are furious that the rail connection between Folkestone and London will be so much slower than the one between Paris and Calais.

A Labour MP claimed this week that, thanks to the brilliance of French boffins, trains would hurtle between Paris and the Normandy coast at 1,918mph, slow to 90mph while traversing the tunnel, and then skid to a real crawl – perhaps

HAWKS & HANDSAWS

14mph – for the journey to London. It was a scandal, he said: testimony to the impoverishment of Britain's scientific and industrial preparedness.

Second, there is venomous anger in Kent about the 68-mile route of the London-Folkestone rail link. Malcontents claim that the route will be environmentally damaging and untasteful, and house-owners in Kent villages are squealing about blight and financial ruin.

In my experience, people who live in Kent are a selfish and common sort, so they can shut up. As for claims that the opening of the tunnel will draw attention to the technological gulf between Britain and France – so what? British cheesemakers have caught up with French cheese-makers; in just such a way, Britain's train-makers will eventually move alongside, perhaps overhaul, their French rivals.

I have studied the history of macro-engineering, and am aware, more than most, that the benefits of great projects take a while to be appreciated; that the glow of pride in human feats they inspire is often at its rosiest a long time after they have been built and paid for. Often hundreds or thousands of years.

At the start, there are always niggles and arguments.

Take the Via Appia, originally built to join Rome and Capua but later extended to the port city of Brindisi. It was started by Appius Claudius in 312 BC, and was still in excellent condition eight centuries later. The road was famous for the precision of its paving-stones, which were jointed together, without any use of cement, into a mosaic of stone stretching to the horizon.

I happen to know, from obscure and ancient writings which I purchased recently from a waiter on the Orient-Express, that the final cost of the Via Appia, expressed in modern money, left little change from $15bn; that enemies of Appius Claudius claimed, even before work started, that the use of paving-stones, no matter how cleverly cut and brilliantly polished, was obsolete technology; that large stretches of the route were for years plagued by planning blight and advertising hoardings; and that home-owners on the outskirts of Brindisi, worried that the Via Appia Extension would slash through their parks and gardens, rioted often, until slain by units of the Fourth Legion.

Similarly, there was uproar over the projected cost of the Roman aqueducts in north Africa, especially in the regions now known as Libya and Tunisia.

The aqueducts' construction only got going when local merchants suggested pouring uncasked olive oil on to the water in the aqueducts, thus reducing, quite significantly, the per-cask transportation cost shouldered by their industry. (They separated and recasked it at the other end.)

Like all great projects, the Channel Tunnel will one day be honoured in the Macro-Engineering Hall of Fame alongside the Pharos of Alexandria, the pyramids of the pharaohs and the Great Wall of China.

Unfortunately for John Major, this will not happen in time to save his electoral neck.

As They Say in Europe / **James Morgan**

Remembrance of things to come

The concept of the Fresh Start rarely makes an impact these days. Indeed, if politicians want to propose anything along these lines, they usually come up with something like "back to basics", as in Britain.

That phrase was coined by John Major, the prime minister, at last year's Conservative party conference to justify the continued existence of a government which had been doing "new" things for 14 years.

I thought it was a jolly good idea until I saw it translated for the benefit of foreign newspaper readers. *"Retour aux valeurs fondamentales"* and *"Zurück zu den Grundwerten"* gave me a better idea as to why the whole project had collapsed in a welter of moral and theological dispute, political scandal and semantic obfuscation.

In English, the phrase lacks the clarity it gains in translation. And yet, in other languages it raises far more questions than it answers. None of this, though, detracts from the proposition that turning back the clock is the best way of tackling the future. After all, it became the basis of the Republican presidential campaign in the United States in 1992.

This preamble is needed to illustrate the dilemma facing Italy, where an election will be held on March 27. It will take place without the participation of all those old favourites, Christian Democrats and so on, who have decorated the political scene since the second world war. And electors will use a simplified voting system, which should give a clear result.

An editorial this week in Milan's *Corriere della Sera* heralded the occasion as an opportunity to realise old, universally-held, values. "There is now a great opportunity in Italy," it told readers. "An opportunity to finally construct a democracy based on two competing blocs, each legitimately qualified to govern." The article was profoundly in favour of *alternanza*, or elections which provide the opportunity of chucking out one governing party and voting in another.

My hopes that Italy could provide a beacon for Britain were dashed, however, when I remembered what the same newspaper had said a week earlier: "It is very likely that Italy will not have a 'civilised' election but a very tiring competition, just like the election of 1948. It will be a race between one side, communism, and the other, the far right wing. All this is wrong – instead of bringing progress, it will slow reform."

So it is hard to grasp what Milan's leading daily really thinks. Is Italy facing a choice between two evils, or is it on the verge of a better democratic society where responsible parties alternate in holding power?

This latter option would be Back to the Future with a vengeance. It was once the very basis of electoral democracy, but has become nearly as unfamiliar in the rest of western Europe as it is in Italy. We have progressed beyond the system of alternating power.

In general, the European Union these days follows the pattern once confined to the Benelux nations: you can have any government you like so long as it is the same as the last one.

If *Corriere* is right, though, Italy does have the chance of being different. It can provide a democracy of alternating governments, or an enervating series of communist versus fascist battles. The former is unfashionable and the latter is popular only in central and eastern Europe, so it is not surprising that some outsiders believe the Italians should think again before embarking on a process of total political reconstruction.

The *Frankfurter Allgemeine Zeitung* provides a nostalgic corrective, the kind of conservative view that lays the ground-work for a resurrection of the old regime. "What the Christian Democrats delivered on the political front in the last five decades ... in achieving the stable restructuring of Italy as an industrial state, might be praised by future historians."

Italy is not only creating a new political system but also waging a war on the old one. It is probably going further than any other country in seeking a *ritorno ai valori fondamentali*. The curious thing is that, within a single Milanese mind, there can be an argument as to what that *ritorno* will mean.

That is the trouble with going back to basic values: they can be as unpredictable as the future itself. And, of course, as Italians are the first to admit, they never existed in their country, anyway.

■ *James Morgan is economics correspondent of the BBC World Service.*